



## ENERGY RISK MANAGEMENT

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

#### NATURAL GAS MARKET NEWS

AccuWeather in their latest 20 day forecast said it looks for an upper level ridge to develop over the central part of the nation between May 15<sup>th</sup> and May 20<sup>th</sup>, which will end the colder temperatures for much of the rest of the month and see a large scale warmer than normal pattern to take hold. They are calling for the possibility of the season's first major heat wave of more than five days duration taking hold over the southern plains to the south Atlantic states and possibly extending even further north.

The NOAA said today that a La Nina weather phenomenon would likely develop in the second half of 2010, based on many computer models that show an increased tendency for cooler sea surface readings. This possibility will thus raise the distinct possibility of more storms developing during the Atlantic Hurricane season, which begins on June 1<sup>st</sup>.

Origin Energy said yesterday that Australia's proposed resource "super profits" tax could delay it's \$32 billion LNG development with ConocoPhillips in Queensland, Australia. Santos Ltd, Australia's second largest oil and gas company said it will delay a final decision on building an LNG export terminal in Gladstone in Queensland for at least six months while it evaluates the impact of the proposed new tax.

Reuters reported this evening that according to market sources it appears that Goldman was seen in the market for an LNG cargo for delivery in June. Rumors were heard that the bank was looking to secure a cargo for delivery to Spain.

#### EIA Weekly Report

	04/30/2010	04/23/2010	Change	04/30/2010
<b>Producing Region</b>	760	727	33	821
<b>Consuming East</b>	905	867	38	760
<b>Consuming West</b>	330	318	12	317
<b>Total US</b>	1995	1912	83	1898

\*storage figures in Bcf

#### Generator Problems

**NPCC** – Constellation Energy's 1140 Mw Nine Mile Point #2 nuclear unit was at 95% power on Thursday up 40% from yesterday.

Calpine/Mitsui's 517 Mw Greenfield #4 natural gas fired power plant was shut early Thursday.

**PJM** – PPL's Susquehanna #1 nuclear unit was at 80% power this morning, up 5% from yesterday.

**ERCOT** – STP Nuclear's 1250 South Texas #2 nuclear unit was at full power this morning, up 11% from yesterday. The unit was restarted back on may 2<sup>nd</sup> following a refueling outage that began back on march 28<sup>th</sup>.

**ERCOT** – AEP planned to restart the 690 Mw Oklaunion coal fired power station on May 6-7<sup>th</sup>. The unit was shut over the weekend to fix a hot reheat steam leak.

**SERC** – Progress Energy's 938 Mw Brunswick #1 nuclear unit was at full power this morning, down from the full power it had been operating at yesterday. No reason for the curtailment was given.

**WSCC** – SCE's 1070 Mw San Onofre #2 nuclear unit was at 98% power this morning up 13% from yesterday.

**MISO** – Exelon's 855 Mw Quad Cities #2 nuclear unit was at 85% power this morning, down from the full power it had been operating at yesterday. No reason for the curtailment was given.

AEP's 1020 DC Cook #1 nuclear unit remained at just 57% power, up only 1% from yesterday.

**The NRC reported that there was some 84,605 Mw of nuclear power generated today, down 0.1% from yesterday and up 2.5% from a year ago.**

The Qatari LNG 263,000 tonne tanker, the Lijmiliya, was reported to be scheduled to

arrive at the South Hook LNG terminal on May 7<sup>th</sup>.

The Iraqi oil ministry has sent the final draft of a gas deal with Royal Dutch Shell to its cabinet for approval. The deal is for a venture in the Basra region to capture and use gas burned off at oil fields.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	808,000	\$3.970	(\$0.025)	\$0.075	(\$0.035)	(\$0.036)
Chicago City Gate	683,900	\$4.038	(\$0.016)	\$0.143	\$0.057	\$0.029
NGPL- TX/OK	718,800	\$3.872	(\$0.022)	(\$0.023)	\$0.051	(\$0.113)
SoCal	638,200	\$3.841	(\$0.067)	(\$0.054)	\$0.006	(\$0.115)
PG&E Citygate	909,300	\$4.201	(\$0.033)	\$0.306	\$0.040	\$0.287
Dominion-South	614,900	\$4.222	(\$0.064)	\$0.327	\$0.009	\$0.237
USTrade Weighted	21,391,400	\$3.890	(\$0.108)	(\$0.005)	(\$0.04)	(\$0.036)

**Canadian Gas Association**

**Weekly Storage Report**

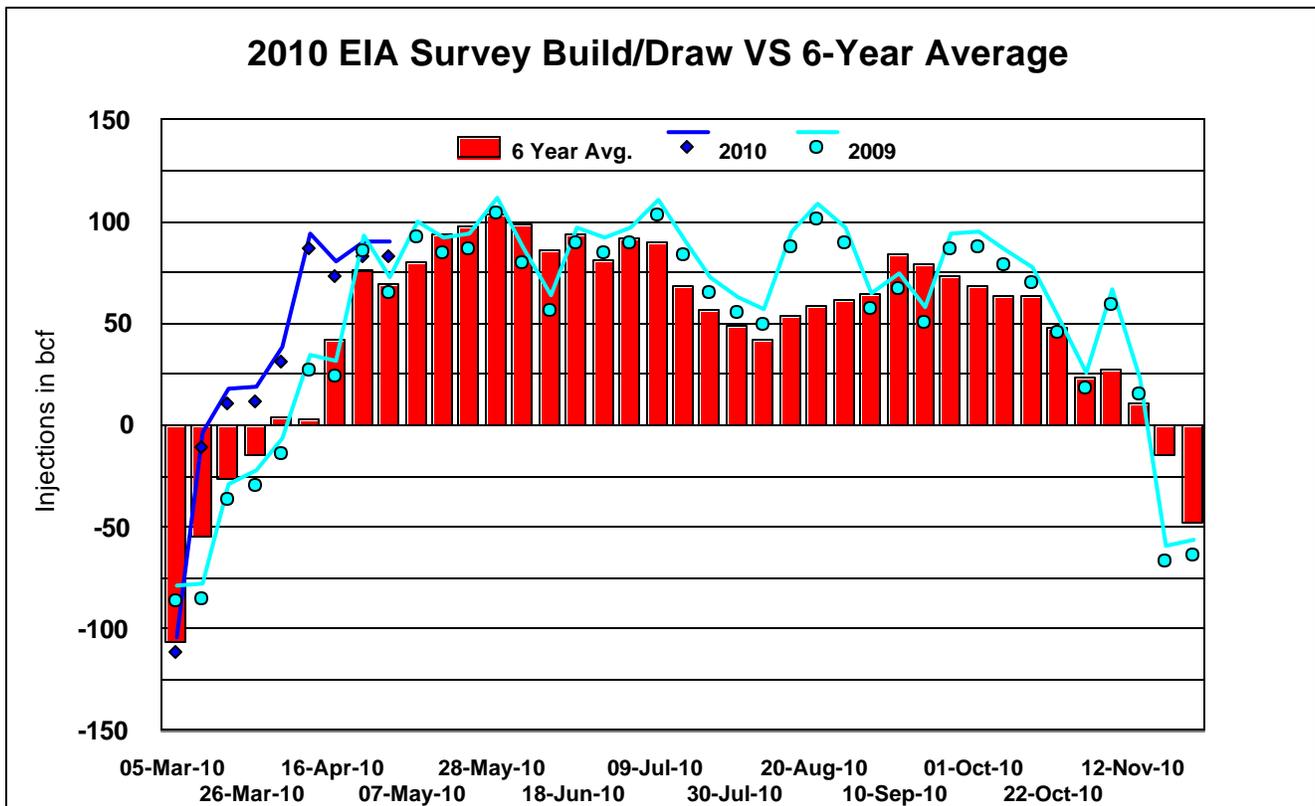
30-Apr-10 23-Apr-10 01-May-09

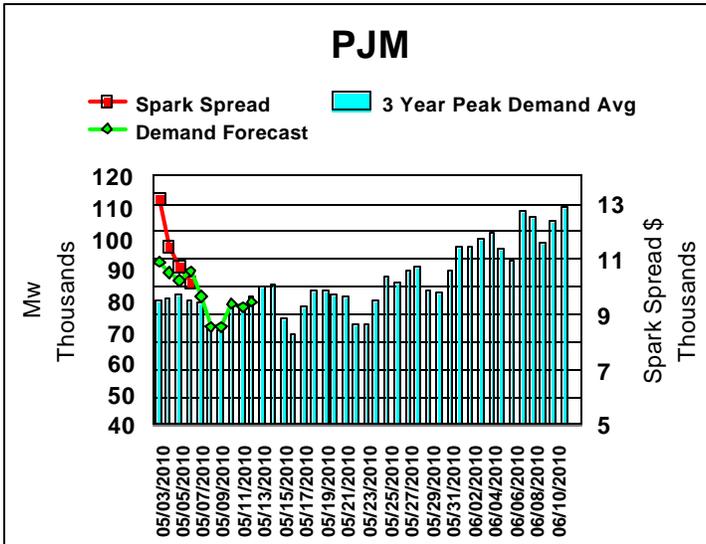
East	92	88.9	76.7
West	231.6	224	179.8
Total	323.6	312.9	256.5

storage figures are in Bcf

The Ukrainian President Viktor Yanukovich said today that the Ukraine might not consider Russian Prime Minister Putin's proposal to merge Gazprom with Naftogaz. He noted that Ukraine's main policy is to defend our national interests" and that there are a "multitude" of options for cooperation with Russia on natural gas. The European Union said it will play no part in the proposed merger talks.

A British consultancy report estimated that German gas trading volumes in 2009 doubled as gas transmission zones have been merged as well as the abolition of some long term supply contracts for local utilities. Most of the trading now takes place in two market zones, the NetConnect Germany (NCG) and Gaspool. The German market has now become the second most active European market after the British gas market.





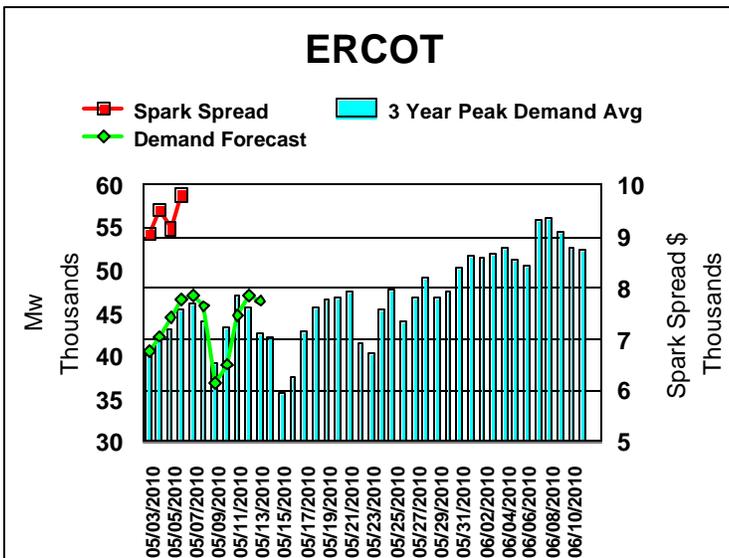
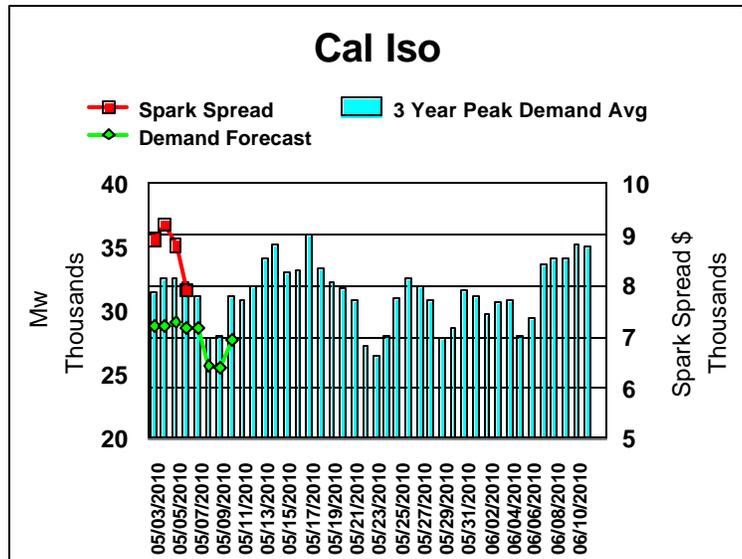
The US Labor Department reported that the number of initial claims for unemployment benefits fell by 7,000 to 444,000 in the week ending May 1<sup>st</sup>. The previous week's level was revised slightly upward to 451,000 from 448,000. The report showed that the four week moving average fell by 4,750 to 458,500 from the previous week's revised average of 463,250. It reported that the number of continuing claims fell by 59,000 to 4,594,000 from the preceding week's revised level of 4,653,000. The unemployment rate for workers with unemployment insurance for the week ending April 24 was 3.6%, unchanged from the prior week's unrevised rate.

### PIPELINE RESTRICTIONS

The Rockies Express Pipeline said that effective for May 6<sup>th</sup> and until further notice it is at capacity for received quantities from White River Hub Meeker. Based on the current level of nominations, interruptible transportation service/authorized overrun and secondary quantities are at risk of not being scheduled.

### ELECTRIC MARKET NEWS

The U.S. Department of Energy reported in its latest Deepwater Horizon Situation Report that some 6.2 MMcf/d of production remains shut in as a result of the oil spill. While LNG import flows into the Gulf of Mexico are not expected to be an issue given that imports into this area currently are expected to be minimal. But the DOE did note that the oil spill could impact several electric generation facilities in the region, given that a number of power plants have been identified as drawing cooling water directly from the Gulf of Mexico or adjacent salt-water resources. The DOE noted "if the water supply for these facilities becomes contaminated with oil, cooling water systems could be damaged." Additionally, imports of coal to U.S. power plants could be affected by the Gulf spill if waterways are closed.



Senator Joseph Lieberman said a US climate bill to reduce pollution that contributes to global warming could be unveiled in the US Senate next week. The Senator has worked closely with Senator John Kerry and Senator Lindsey Graham

on the bill to achieve a 17% cut in US emissions of carbon dioxide and other greenhouse gases by 2020 from 2005 levels. Senator Lieberman said that offshore oil drilling provisions of the climate bill were being ironed out in the aftermath of the oil spill in the Gulf of Mexico.

### **MARKET COMMENTARY**

This morning's storage report while coming in just a few bcf higher than the average expectation level, still acted as a bearish event as it appeared to throw cold water on the hopes for the bulls to see the first early signs of throttling back of natural gas production in the United States. Stocks currently stand nearly 100 bcf above a year ago and 315 bcf above the five-year seasonal average. As a result the spot contract fell to its lowest level since April 1<sup>st</sup> before stabilizing at midday. While the oil and equity markets as well as many other commodity markets plunged lower late in the afternoon, as a result of order entry errors in the equity market, the natural gas market surprisingly held up well. As a result we feel that this is an indication that this market remains mired in its sideways trading pattern and it is at the lower end of its trading range. Also with supportive weather forecasts, that of a warmer second half of the month coupled with growing support for an active hurricane season, which begins in less than a month, we feel will also begin to provide growing underlining support to this market. We see support tomorrow at \$3.834, \$3.811 and \$3.66. Resistance we see at \$4.072, \$4.14 and \$4.207. Additional resistance we see at \$4.352 and \$4.352.

We would also look for the Oct-Jan spread to be approaching a near term bottom \$1.15-\$1.17 October discount and thus would look for bears in this spread to head for the exits and take profits waiting for a rebound back towards a retracement back to the \$1.04-\$1.00 October discount before looking to re-enter this spread.

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