



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR MAY 7, 2009**

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

Energy Intelligence is reporting that TransCanada has outlined plans to solicit interest next year in a pipeline branch off of its proposed 1700-mile Alaskan gas pipeline. The branch line would lead to a possible LNG plant in Valdez operated by other companies. The proposed pipeline could deliver up to 3 bcf/d of gas to Valdez for liquefaction. Meanwhile the company said it had won the bid to build and own a \$320 million natural gas pipeline on Mexico's Pacific coast that would move gas from a LNG terminal under construction to Guadalajara. The line would carry up to 500 million cf/d.

Anadarko Petroleum said today that its Independence Hub natural gas production platform in the Gulf of Mexico in the first quarter averaged 900 million cf/d with additional capacity possible. The company said it expects that natural gas production will remain strong in the second quarter. The facility has a 1 bcf/d capacity or handles 12% of the total USG natural gas production

Chevron reported today that its net natural gas in the first three months of this year reached 1.379 bcf/d, down 17% from the same period a year ago. The company reported that its net derivatives loss on hedge transactions totaled \$49 million during the period.

Standard & Poor's Rating Service on Wednesday placed a "negative" credit watch for some of the high-profile public-sector utility long term natural gas purchases. The gas prepayment deals have been under credit rating downward price pressures for the past year.

Energy Transfer Partners today said it has signed binding 10-year contracts with EnCana marketing and an unidentified shipper for capacity on its planned Tiger Pipeline. ETP said the new deals follow an earlier agreement it reached with Chesapeake Energy Marketing for 1 Bcf/d on the line and bringing

#### **Generator Problems**

**NPCC** – OPG's 535 Mw Lennox oil and gas Unit #4 was shut early Thursday .

OPG's 490 Mw Nanticoke coal fired Unit #8 was shut today for planned maintenance.

**PJM** – PSEG Nuclear's 1120 Mw Hope Creek nuclear unit was at 97% power this morning up 47% from yesterday.

**MISO** – Northern States Power said its 613 Mw Monticello nuclear plant was warming up and was at 1% power this morning. The unit has been off line since March for maintenance.

AEP's 1090 Mw Cook nuclear unit #2 was back on line and at 35% capacity this morning, up 3% from yesterday.

**SERC** – TVA's 1148 Mw Sequoyah #1 nuclear unit was shut Thursday morning, due to a feed regulating valve failure. The station had been at full power on Wednesday.

Southern Nuclear's 920 Mw Farley #1 nuclear unit was warming up but still off line this morning as it was at 12% power.

**WSCC** – The 1150 Mw Colombia Generating Station was continuing to coast down this morning to the unit's planned maintenance shutdown on May 9<sup>th</sup>. The unit was at 87% power this morning.

**The NRC reported this morning that 82,580 Mw of nuclear generation capacity was on line, up 1.19% from Wednesday and up 4.87% from the same time a year ago.**

total commitments to 1.5 bcf.d. The 180-mile pipeline is to run between Carthage, Texas, through Haynesville Shale, to Delhi, Louisiana where it will interconnect with at least seven interstate pipelines. The cost of the line is estimated at up to 1.2 billion and is expected to be in service by the first half of 2011.

Australia's LNG industry continues to speak out against the Australian government's emissions trading plan which on Monday was delayed one year to 2011 before being implemented. The LNG industry claims the government plan will impose a cost on the Australian LNG industry without acknowledging the benefits of the role that the LNG industry would play in substituting for less greenhouse-intensive sources of energy around the world." The Australian LNG sector has some \$150 billion in new projects in the planning stage that could be directly impacted by the governments GHG policy.

**EIA Weekly Report**

	05/01/2009	04/24/2009	Change	Year ago
<b>Producing Region</b>	831	805	26	546
<b>Consuming East</b>	768	710	58	685
<b>Consuming West</b>	319	308	11	196
<b>Total US</b>	1918	1823	95	1427

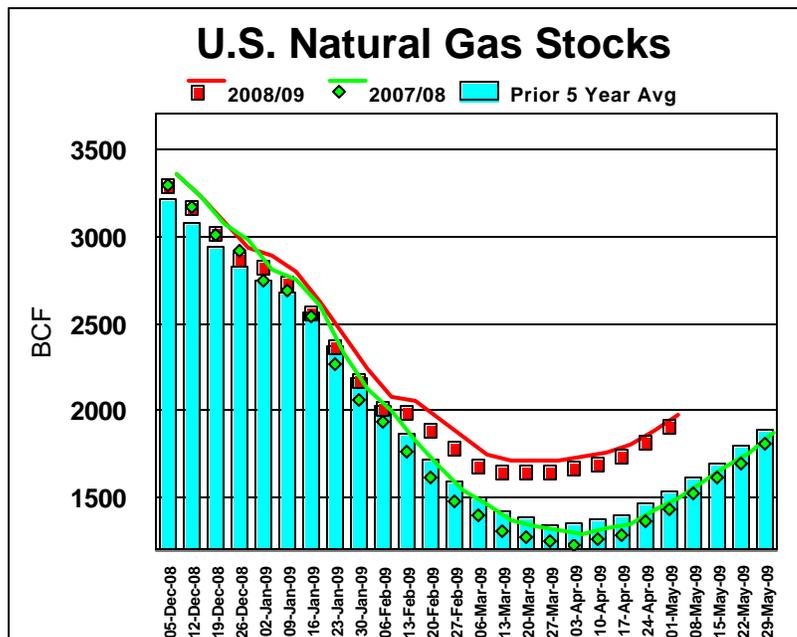
\*storage figures in Bcf

Qatar's LNG tanker Mozah arrived as expected at the South Hook LNG terminal on Thursday.

Tokyo Electric Power won approval on Thursday to restart the world's biggest nuclear plant nearly two years after it was damaged in

an earthquake. The restart could come as early as Friday. This would reduce the company's annual fuel purchases by \$713 million and cut carbon dioxide emissions by 5 million tones.

Analysts in a report from Sanford C. Bernstein said in a report today that they see significant delays and operation issues with new liquefaction trains will reduce the likelihood that a tidal wave of LNG supplies will swamp the global LNG market this summer. They expect the bulk of the new capacity from Qatar, Indonesia and Yemen may start up toward the end of 2009 not in the middle of this year as originally expected. They look for natural gas prices to tighten toward the end of the year when reduced LNG shipments and lower onshore gas production begin to tighten the U.S. market.



India's Reliance Industries said it will reach peak gas production at its KG d-6 gas field before December a government official said today. The government said the company might be ready to sign a contract to supply 1 million metric standard cubic meters per day of gas to city gas distribution firms.

**Canadian Gas Association**

**Weekly Storage Report**

	01-May-09	24-Apr-09	02-May-08
<b>East</b>	76.7	66.9	51.8
<b>West</b>	179.8	166.4	133.0
<b>Total</b>	256.8	233.3	184.8

storage figures are in Bcf

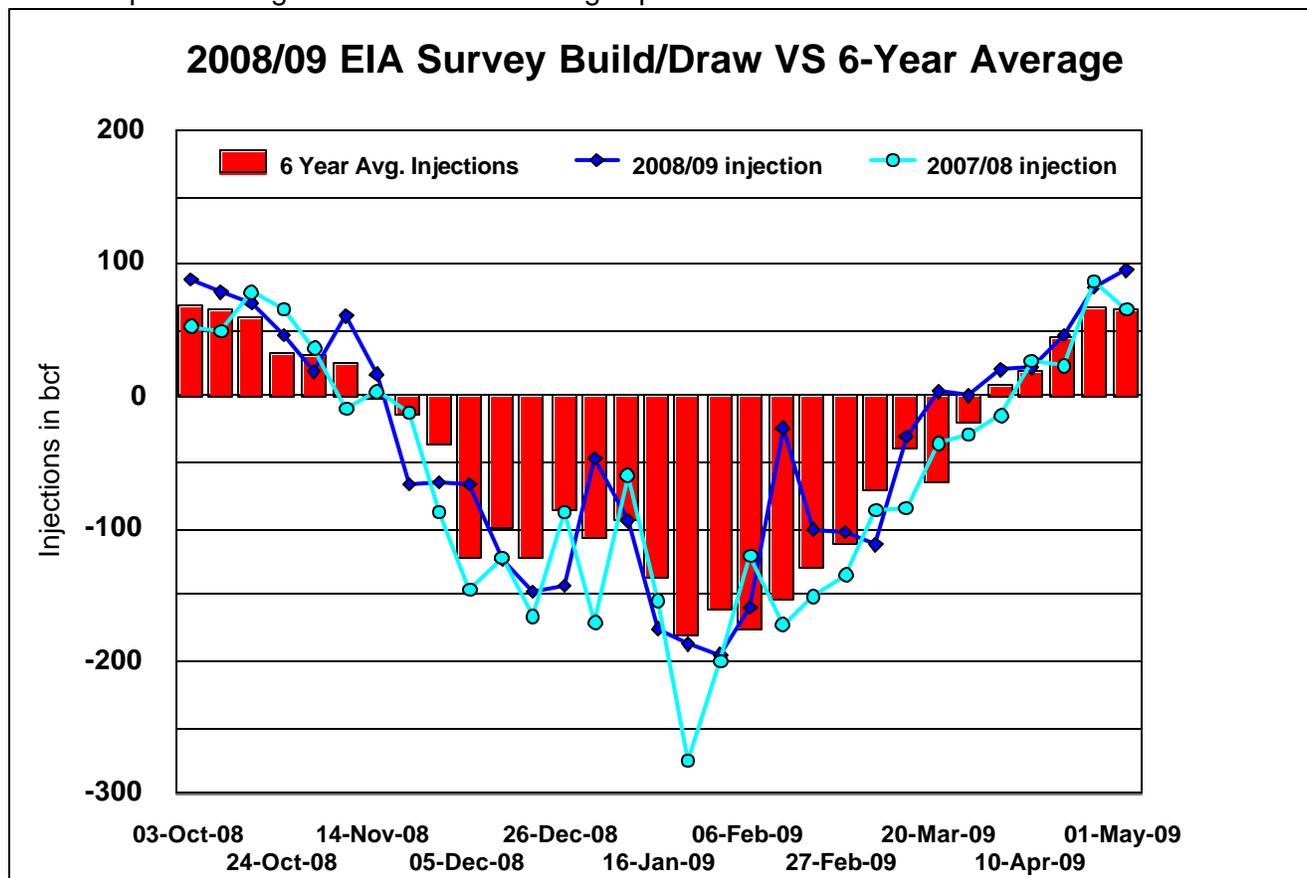
**PIPELINE MAINTENANCE**

Wyoming Interstate Co said that repair work to the Douglas Compressor Station unit will be completed on Thursday. As a result, full capacity of 1,520mmcf/d at the Medicine Bow Lateral will be available for transportation Gas Day May 7. It said it will cancel the Force Majeure.

Colorado Interstate Gas Co has extended maintenance at its Cheyenne Plains Jumper Compressor Station from May 6 to May 15. As a result of the extended outage, capacity through CIG's High Pressure pool will remain at 262 mmcf/d. Capacity at the Red Cloud Meter Station will remain at 85 mmcf/d for the duration of the maintenance.

**PIPELINE RESTRICTIONS**

Southern Natural Gas is restricting storage due to current and projected storage levels nearing maximum capacity. Based on current and projected storage levels, maximum storage obligations could be reached by mid-summer the company said. In order to preserve firm storage obligations and interruptible storage quantities that have already been accepted, shippers are advised that restrictions on interruptible storage transactions are being implemented.



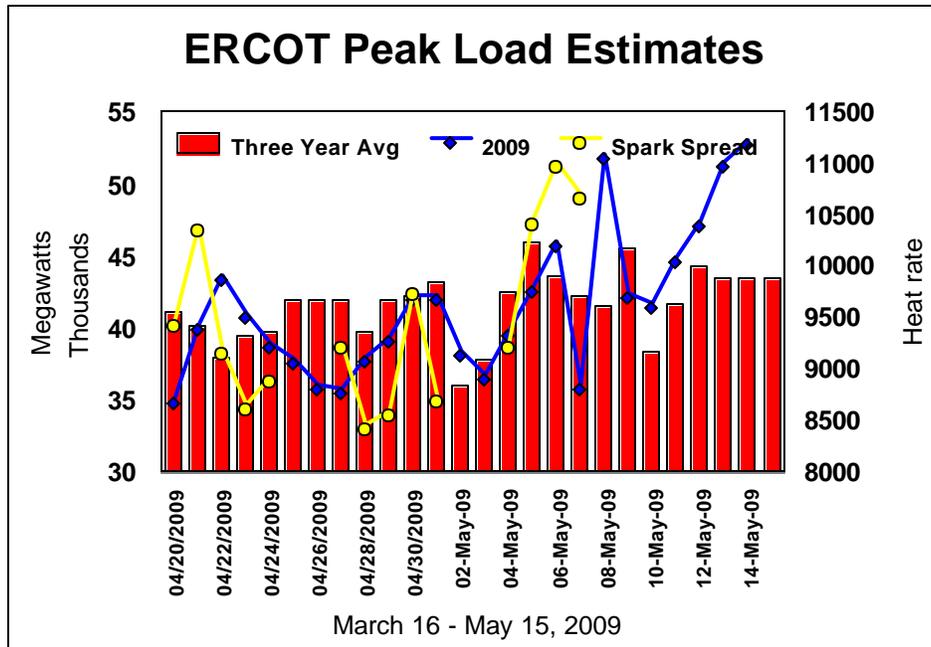
Tennessee Gas Pipeline Co lifted restrictions on the Carthage Line Lateral and said it will accept increases for nominations effective Intraday Cycle 1 for the gas day of May 7.

Gulf South Pipeline said it increased its available capacity on the East Texas 42" Expansion Pipeline on Thursday morning. Capacity has been increased to 1,330,000 Dth.

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	1,118,800	\$3.955	\$0.285	(\$0.093)	\$0.102	(\$0.295)
Chicago City Gate	426,100	\$3.826	\$0.235	(\$0.222)	\$0.068	(\$0.237)
NGPL- TX/OK	579,800	\$3.681	\$0.254	(\$0.367)	\$0.087	(\$0.412)
SoCal	329,500	\$3.559	\$0.275	(\$0.489)	\$0.108	(\$0.544)
PG&E Citygate	798,700	\$3.813	\$0.256	(\$0.235)	\$0.089	(\$0.235)
Dominion-South	331,600	\$4.216	\$0.184	\$0.168	\$0.017	\$0.155
USTRade Weighted	17,999,800	\$3.805	\$0.269	(\$0.243)	\$0.10	(\$0.295)

## ELECTRIC MARKET NEWS

Congressman Waxman reportedly is proposing to offer power producers and industrial consumers such as steel companies free pollution permits in an attempt to gain support for a carbon trading program within a proposed climate change legislation. Under the proposed compromise, about 55% of the pollution permits could be given to utilities, refiners and manufactures. A target for emissions reductions would drop to 17% by 2020 from Waxman's original proposal of 20% decline.



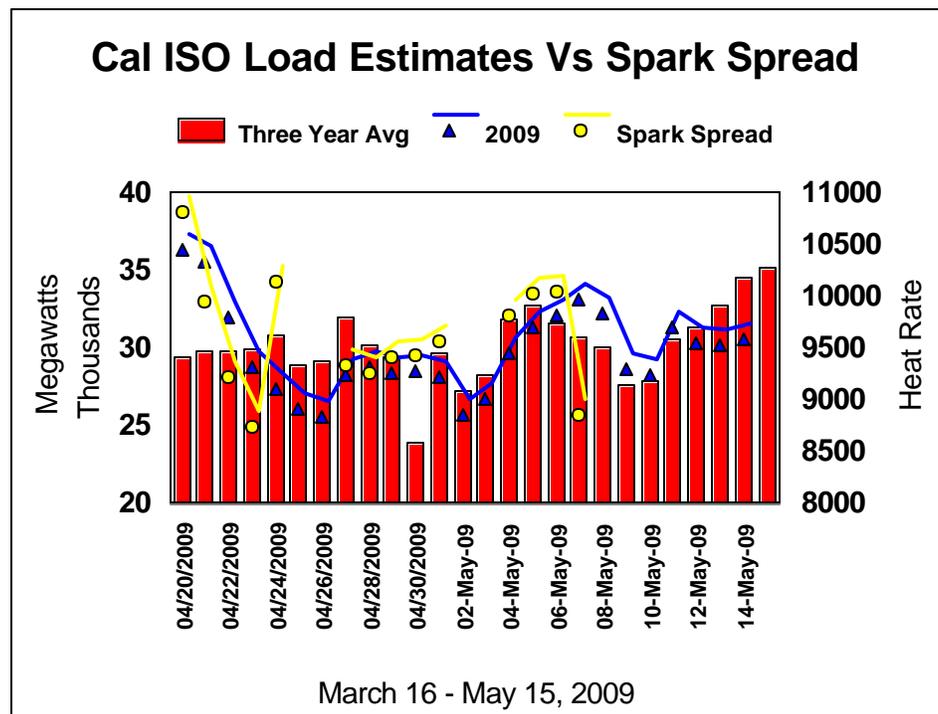
The Northwest River Forecast Center projected water run off at the Dalles Dam for the April – September period would remain at 87% of normal unchanged from last week's forecast. A year ago water flows were 99% of normal. Forecasts for water flows at the Grand Coulee dam were seen to be at 90% of normal down 1% from last week's forecast.

ERCOT said AEP has scheduled a one day outage of the 600 Mw transmission link that

allows power to move between Texas and states in the Eastern Interconnection. The East Texas DC tie will be shut May 12<sup>th</sup> for routine maintenance. This line is ERCOT's largest tie line with adjacent power grids.

## MARKET COMMENTARY

Natural gas prices this morning rallied above the \$4.00 price level for the first time in six weeks. The natural gas market appeared to initially following on the heels of the equity and oil markets, which reacted positively to the Department of Labor's report that showed the number of Americans filing claims for unemployment insurance unexpectedly fell last week to the lowest level in three months. While a bearish EIA Storage Report prompted a quick and significant price sell off that sent prices down to \$3.82, before the



bulls rediscovered their courage and brought prices back above \$4.00. Then buyers sent the market even higher as prices this afternoon broke outside of the upper band of its downward channel of the past three months. This rally was accomplished despite the equity and oil markets remaining on the defensive for the latter half of the day.

Open interest reports released at midday appears to show that this week's rally through yesterday has seen open interest increasing in natural gas in what must be seen as new longs coming into the market. Yesterday's trading action saw some 14,213 contracts added on the day on an adjusted and combined basis for the Henry Hub futures and swaps. It appears that today's price action was in a similar fashion, as the cash markets could not keep up with the gains in the futures markets. While we recognize that the Southwest is hot and that this heat will drive higher ERCOT power demand next week as it spreads eastward, we still see the limited demand for power in California as well as in the Midwest and the Northeast as helping to keep a limit on power prices. This coupled with storage levels that already are well ahead of last year and the five-year seasonal average should help the bears. In fact the comments made today by SONAT that it is possible its storage could be at capacity by this summer was totally over looked by the market, but we feel some sanity will return to this market by next week. We see resistance at \$4.186 followed \$4.227, \$4.272, \$4.374 and \$4.557. More distant resistance we see at March 19<sup>th</sup>'s high at \$4.609. Support we see at \$3.877, \$3.829, \$3.769, \$3.718 and \$3.608.

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