



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino  
**(212) 624-1132 (888) 885-6100**

[www.e-windham.com](http://www.e-windham.com)

### NATURAL GAS & POWER MARKET REPORT FOR MAY 8, 2009

#### NATURAL GAS MARKET NEWS

The Labor Department announced this morning that the pace of layoffs in the United States in April slowed as only 539,000 jobs were cut, the fewest in six months. The rate of job loss was smaller than the market expectations for 620,000 job cuts. Government jobs actually increased by 72,000 as stimulus funds appeared to have prompted new hiring in this sector. The industrial sector lost the most on the month off 149,000 while construction lost 110,000 jobs. The retail sector lost 47,000 jobs while the financial services sector lost 40,000 jobs. Meanwhile the U.S. Commerce Department reported that U.S. wholesale inventories shrank for the seventh month in a row in March to \$411.7 billion, their lowest level since November 2007. The market had been only expecting a 1% decline. Sales also tumbled, by 2.4%, which was its lowest level since November 2005. As a result the inventory to sales ratio increased to 1.32 months.

#### Generator Problems

**PJM** – Exelon’s Oyster Creek nuclear unit returned to full power today.

**SERC** – Southern’s Hatch #1 nuclear unit has started to exit its recent refueling outage and was at 1% power this morning

**ERCOT** - NRG Energy’s 749 Mw Cedar Bayou natural gas fired power plant was called on to start on May 6<sup>th</sup>. The unit had been off line since April 9<sup>th</sup> due to limited load conditions.

The NRC reported this morning that 82,034 Mw of nuclear generation capacity was on line, down 0.7% from Thursday and up 3.6% from the same time a year ago.

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>		<small>(As of 12:30 PM)</small>		<u>Moving Avg</u>
Henry Hub	1,228,900	\$4.163	\$0.208	(\$0.087)	(\$0.000)	(\$0.262)
Chicago City Gate	397,800	\$4.105	\$0.279	(\$0.145)	\$0.077	(\$0.206)
NGPL- TX/OK	694,600	\$3.875	\$0.194	(\$0.375)	(\$0.008)	(\$0.390)
SoCal	356,500	\$3.766	\$0.207	(\$0.484)	\$0.005	(\$0.509)
PG&E Citygate	550,500	\$4.005	\$0.192	(\$0.245)	(\$0.010)	(\$0.229)
Dominion-South	289,900	\$4.449	\$0.233	\$0.199	\$0.031	\$0.195
USTrade Weighted	17,842,300	\$4.007	\$0.202	(\$0.243)	(\$0.00)	(\$0.262)

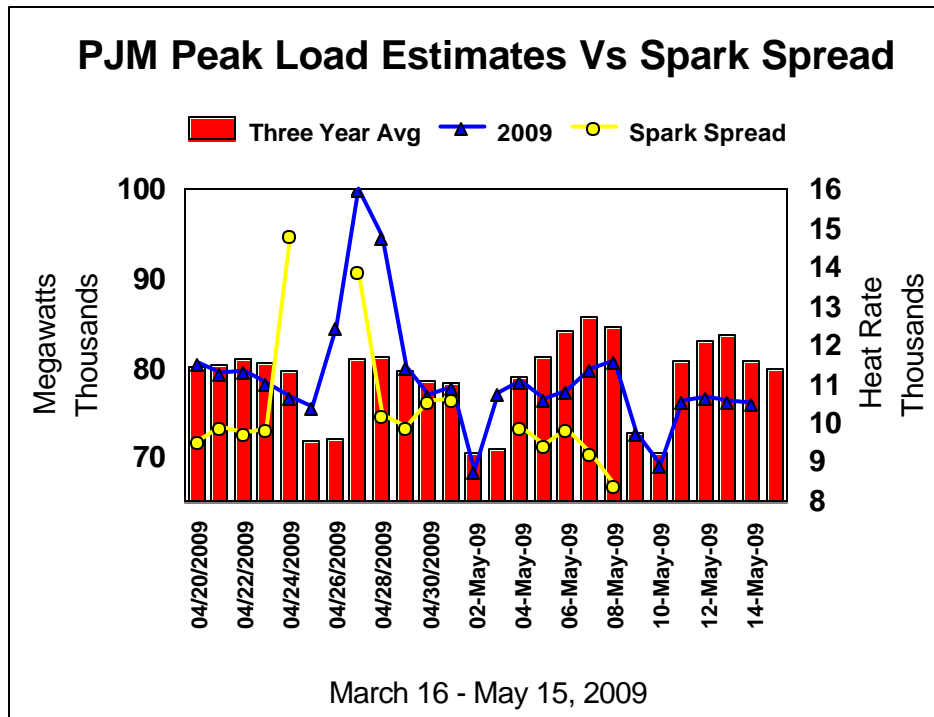
Paul Corby, a senior vice president of Planalytics said today he expects to see natural gas prices to head toward \$8.00 by the end of the year.

The Rockies

Express Pipeline yesterday announced it had revised its estimate for in service of REX-East due to continued delays in completing its Illinois River horizontal directional drill, which has been complicated by adverse weather conditions.

The FERC on Thursday approved Transco’s proposal to add incremental southbound transportation capacity on its Mobile Bay Lateral, through creating bidirectional flow capability to serve the growing markets in Florida and Alabama. Meanwhile the FERC also approved a request of Freeport LNG

Development to build minor facilities to export LNG from its terminal on Quintana Island in Texas on a short-term basis.



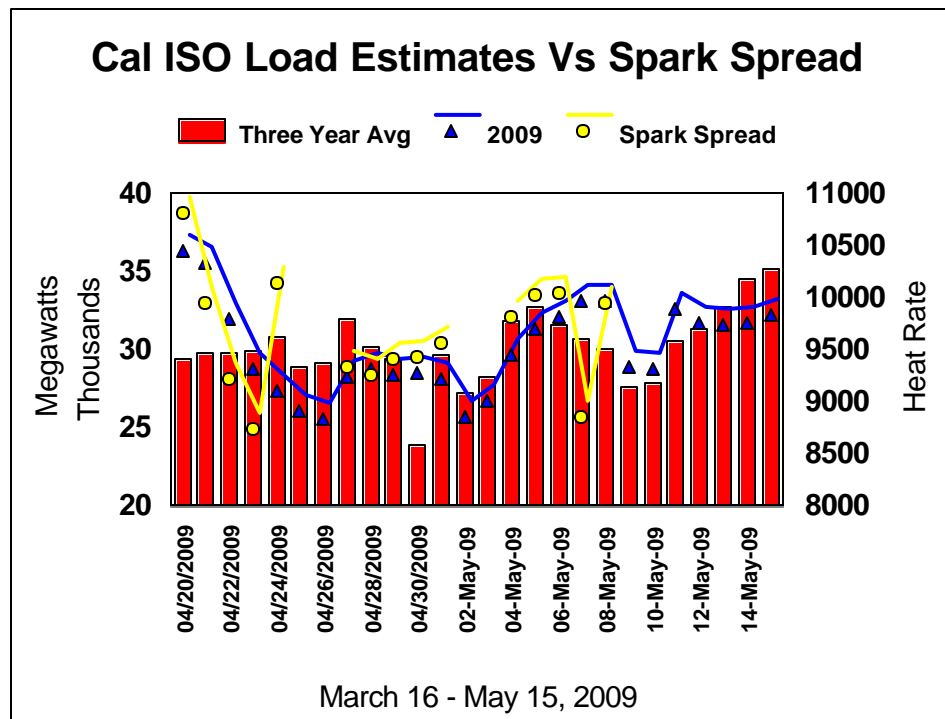
The EU and Caspian Sea natural gas producers reached an agreement on Friday under which each side would set out what it could offer the other in terms of providing secure gas markets and supplies. In return for their commitment to supply gas to Europe, the EU offered to provide more trade and stronger transport links to gas transit countries such as Turkey and Azerbaijan. The agreement envisions the creation of a central EU gas buying consortium and new terms for the transport of Caspian gas. The summit participants also laid out

plans to look further south for new gas supplies, by seeking an energy memorandum with Iraq as soon as possible and by helping Egypt develop its own export potential.

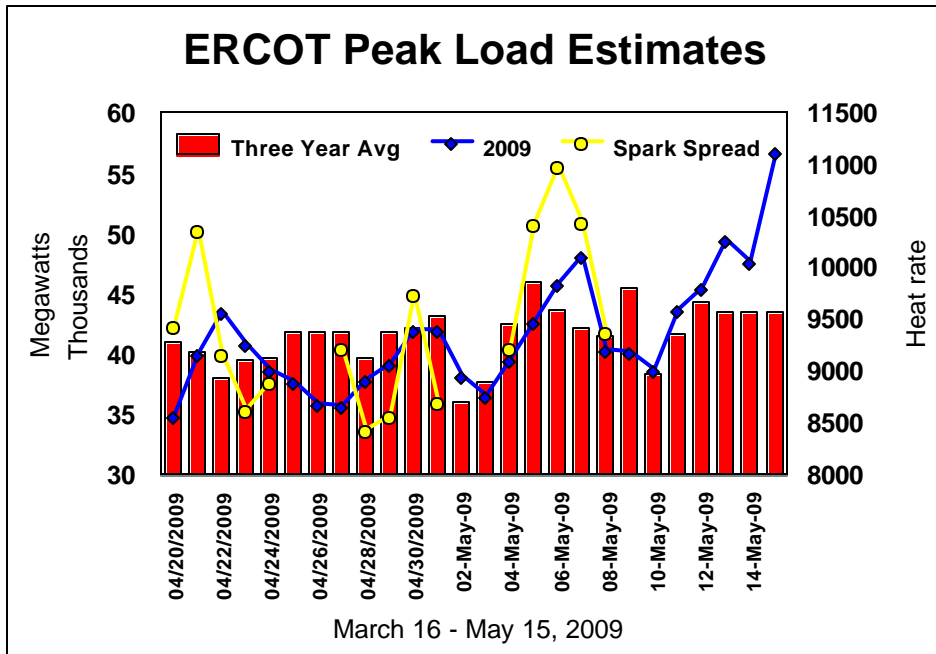
While U.S. natural gas prices continued to escalate today, UK natural gas prices turned lower as Norway's Langeled pipeline came back up following a three-day maintenance closure. As a result by the end of the day the price spread between the two markets had narrowed, with Henry Hub prices for this weekend's delivery were around \$4.16 while gas in the UK was around \$3.12 oer Mmbtu.

Baker Hughes reported today that the number of rigs searching for natural gas in the United States stood at 730, down 11 from the previous week and some 745 less than the same time a year ago.

MarkWest Liberty Midstream announced today that it had successfully started up in April a cryogenic processing plant in Washington County, Pennsylvania. The plant is slated to support the significant development of the Marcellus Shale in the region by various



producers. The new plant is operating at its capacity of 30 million cubic feet per day and includes a depropanizer to extract propane from the gas stream.



BP's LNG tanker the British Innovator is heading from Egypt and is expected to arrive in the UK by May 12<sup>th</sup>.

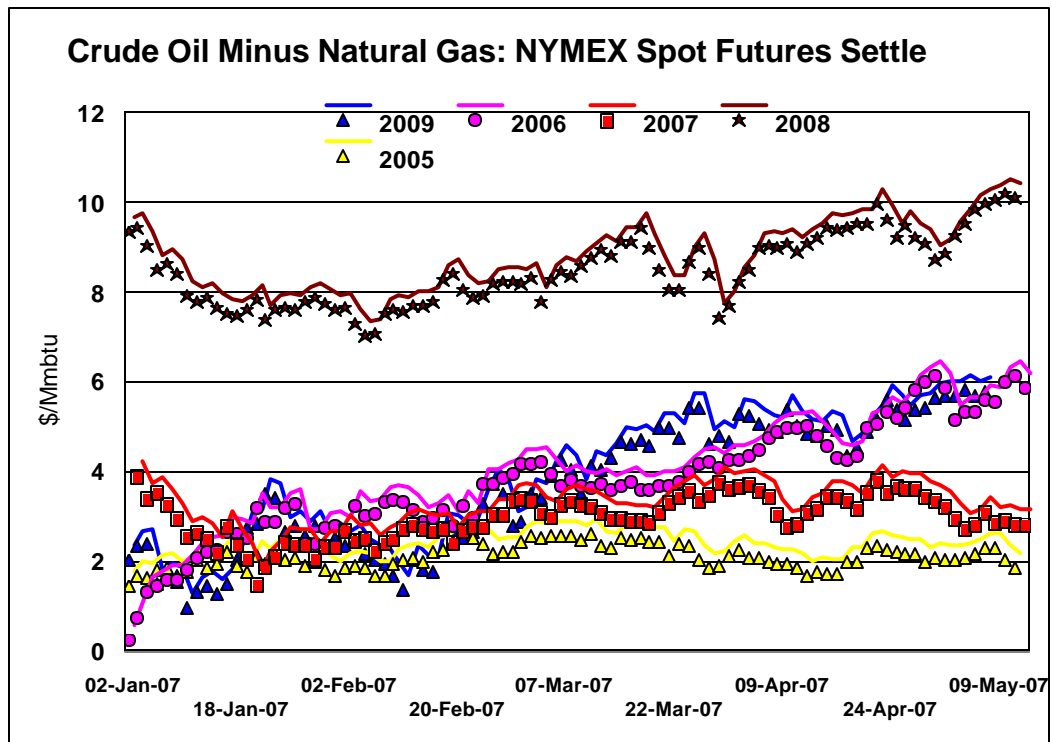
StatoilHydro said it has restarted on Thursday its Snoehvit LNG production plant after a planned maintenance. The company reported that the facility on Friday was running at 90-100% of capacity. The company though said it is still planning a scheduled turnaround late this summer to boost capacity and make the plant more efficient as well as boosting

capacity.

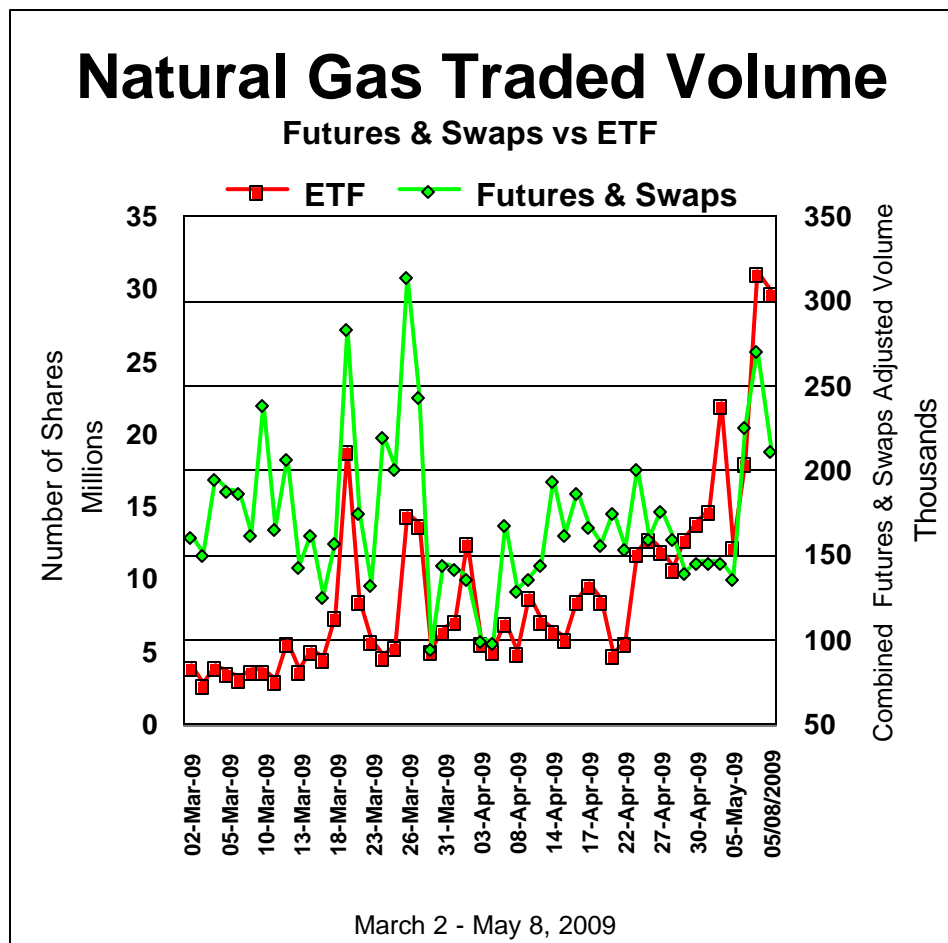
Platts reported its Japan Korea LNG market rebounded a bit this week as reports of a more balanced market appeared to be forming and the resurgence in gas prices in Europe and the U.S. Prices in the region were pegged at \$3.95 Mmbtu.

**ELECTRIC MARKET NEWS**

The Texas Public Utility Commission on Thursday approved a series of changes to the state's "provider of last resort" rule that will, among other things, reduce the rates customers who switched to POLRs and provide protections to low income customers. The new rules are an attempt to prevent a recurrence of events last summer, when the financial collapse of five REPs sent thousands of customers to POLRs that charged artificially high rates.



The EIA reported late yesterday that U.S. coal production for the week ending May 2<sup>nd</sup> totaled 19.675 million tons down 3.4% from the previous week and down 11.9% from a year ago. Year to date coal production is some 4.6% behind last year's production rate.



Genscape reported today that its U.S. national coal burn index this week fell 9% from the same week a year ago as it reached its lowest level seasonally since 2005. The index was off 4% just from the prior week as it appeared some utilities were looking to switch to natural gas to take advantage of cheap natural gas prices.

The PJM grid operator said it is forecasting peak demand for power this summer would decline versus last summer due to the economic weakness in the region. The grid operator expects supplies to be more than adequate to meet the forecasted peak.

A report released by the states participating in the Regional Greenhouse Gas Initiative shows that the secondary market for RGGI CO2 allowances continues to mature. The report covering the period ending the end of March found no evidence of anti-competitive conduct and identifies increased market participation and trading volumes as a “sign of competitiveness and efficiency.” The report which noted that trading volumes remain “modest” considering the number of allowances sold at auctions, the volume of trading on secondary market exchanges has risen considerably, from an average of 303,000 allowances per day in December 2008 to 979,000 per day in March 2009; market price volatility declined significantly from the last quarter of 2008 to the first quarter; and by the end of the first quarter of 2009 26 firms held a significant quantity of futures and options contracts on secondary exchanges.

#### **MARKET COMMENTARY**

The natural gas market today finished higher for the third straight trading session and for the fifth time out of the last six trading sessions. The market was propelled higher by the continued bullish fever that has been sweeping across the equity and oil markets, as traders perceptions that the dark days of the economic meltdown are past and that the economic decline is bottoming and recovery is around the corner. This coupled with a declining dollar has investors looking to commodity markets as an asset class they want to be long again. Natural gas appears to be such an asset choice. Open interest in natural gas futures and swaps has grown by over 30,000 contracts on a combined and adjusted basis since the start of this month. The speculative interest in natural gas is also demonstrated in the dramatic jump in the trading volume in the natural gas ETF, UNG.

While we do not believe in these lofty levels for natural gas currently given the over supply of natural gas near term, it appears that the bears have no desire to return to this market until oil prices appear to

have reach an exhaustion point in its recent rally. We see minor resistance at \$4.414 and \$4.517 with significant resistance at the major double tops in March at \$4.58-\$4.609. Minor support we see at \$4.152 and \$4.096 with more significant support at \$3.935, \$3.85, \$3.805 and \$3.674.

This afternoon's Commitment of Traders Report showed that for the week ending May 5<sup>th</sup>, non commercials increased their net long reportable positions by over 4100 lots on a combined futures and swaps adjusted basis in the Henry Hub contracts.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/08/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	6	9 C	5	0.0657	0.039	11725	0.065	0.05	
LN	6	9 P	3	0.0031	0.0077	9913	0	0	
LN	7	9 P	3.5	0.1061	0.1356	9228	0.11	0.105	
LN	7	9 P	2.5	0.0159	0.0205	8800	0.0075	0.007	
LN	6	9 P	3.5	0.03	0.0586	8778	0.043	0.04	
LN	6	9 P	3.25	0.0108	0.0237	7350	0	0	
LN	6	9 C	4.5	0.1882	0.1119	6640	0.165	0.155	
LN	6	9 C	4.25	0.2972	0.1869	4806	0.285	0.28	
LN	7	9 C	5	0.2369	0.1689	4420	0.21	0.175	
LN	10	9 C	6	0.4283	0.3578	3800	0	0	
LN	7	9 P	3	0.0463	0.0571	3750	0	0	
LN	7	9 P	4	0.2463	0.3208	3668	0.265	0.265	
LN	6	9 P	4	0.1357	0.2178	3151	0.1725	0.1725	
LN	6	9 P	3.75	0.0692	0.121	2615	0	0	
LN	12	9 P	3	0.0218	0.0247	2500	0	0	
LN	6	9 C	5.5	0.0197	0.0136	1950	0.0175	0.0175	
LN	1	10 C	8	0.4275	0.3692	1800	0	0	
LN	10	9 P	2	0.0211	0.0231	1513	0.025	0.0225	
LN	9	9 P	4	0.3963	0.4594	1508	0	0	
LN	1	10 P	5	0.2999	0.3256	1150	0	0	
LN	1	10 P	6.3	0.8602	0.9252	1075	0	0	
LN	1	10 C	6.3	0.9245	0.8253	1075	0	0	
LN	7	9 C	5.25	0.1786	0.1246	1025	0	0	
LN	10	9 P	2.75	0.1001	0.1101	1000	0	0	
LN	12	9 P	3.5	0.0555	0.0625	1000	0	0	
LN	9	9 P	3	0.1032	0.1239	1000	0	0	
LN	5	10 C	10	0.1799	0.157	1000	0	0	
LN	7	9 C	6.5	0.0407	0.0262	1000	0	0	