



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR MAY 12, 2010

#### NATURAL GAS MARKET NEWS

Norwegian natural gas flows via the Langeled pipeline to Britain were still fluctuating on Wednesday due to compressor problems at the Kolsness gas processing plant.

Analysts are noting that Australia's proposed "super profits" tax on mining projects threatens to jack up operating costs and shrink margins to the point that at least a half dozen or so coal seam gas projects along Australia's eastern seaboard may never get the go ahead or will be merged together. The proposed projects that seem to be at the most risk are the following: Orion Energy's \$31 billion Australia Pacific LNG project which would have a proposed capacity of 18 million tones per year; Santos Ltd's Gladstone development with a capacity of 10 million tones per year from two processing LNG plants; BG Group's \$10 billion Queensland Curtis LNG project with a capacity of 7.4 million tones per year; Shell's proposed Curtis Island site near Gladstone, which would have a capacity of 16 million tones per year via four production trains; and Liquefied Natural Gas Ltd A\$1 billion Gladstone LNG project which would have a 3 million ton a year capacity.

The Chief Economist at the IEA said today that the effects of the Greek debt crisis would cut European oil and gas demand and drive gas consumption even lower than current levels, which are already the weakest since 1999. He sees this price pressure could be a problem for gas exporters to Europe as competition between major natural gas pipelines to Europe increases.

Statoil said today that it would be stopping operations at its Snoehvit LNG plant for inspections on May 13<sup>th</sup>. The

inspections will be on a sub-cooling unit. The production stoppage will be "short" though and the company does not expect it to impact annual production

#### Generator Problems

**NPCC** – OPG's 490 Mw Nanticoke #2 coal fired power station was shut early today for short term maintenance.

**MISO** – AEP's 1020 Mw Cook #1 nuclear unit remained at only at 57% power this morning.

The OPPD said output remains reduced at its 478 Mw Fort Calhoun nuclear unit was at 83% power this morning, up 1% from yesterday.

FirstEnergy's 1231 Mw Perry nuclear unit tripped off line. The unit had been at full power yesterday.

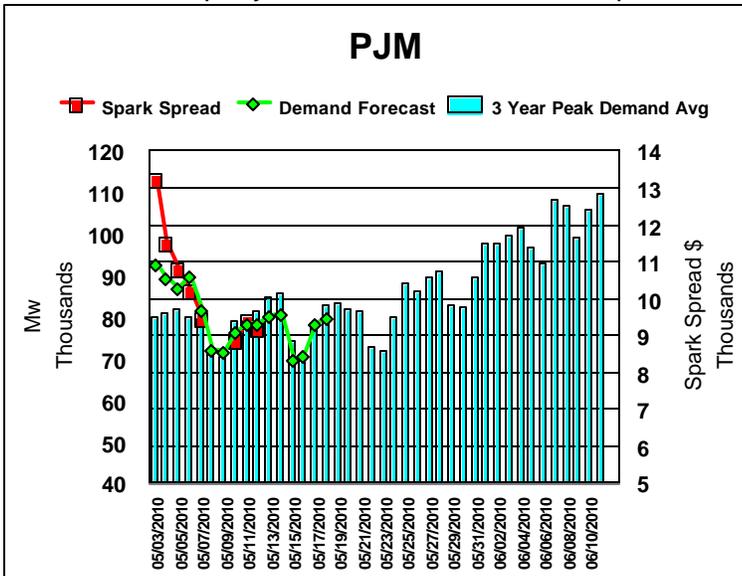
**The NRC reported that there was some 85,638 Mw of nuclear power generated today, down 1.2% from yesterday and up 0.2% from a year ago.**

#### Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,078,200	\$4.178	\$0.024	(\$0.096)	(\$0.056)	(\$0.074)
Chicago City Gate	460,800	\$4.270	\$0.025	(\$0.004)	(\$0.056)	\$0.042
NGPL- TXOK	927,200	\$4.080	\$0.018	(\$0.194)	(\$0.063)	(\$0.137)
SoCal	484,700	\$4.002	\$0.006	(\$0.272)	(\$0.075)	(\$0.199)
PG&E Citygate	910,400	\$4.376	\$0.010	\$0.102	(\$0.071)	\$0.180
Dominion-South	697,100	\$4.417	\$0.005	\$0.143	(\$0.076)	\$0.193
UTrade Weighted	22,318,500	\$4.160	\$0.025	(\$0.114)	(\$0.06)	(\$0.074)

totals. The company said that scheduled third quarter maintenance at the facility will be carried out as planned.

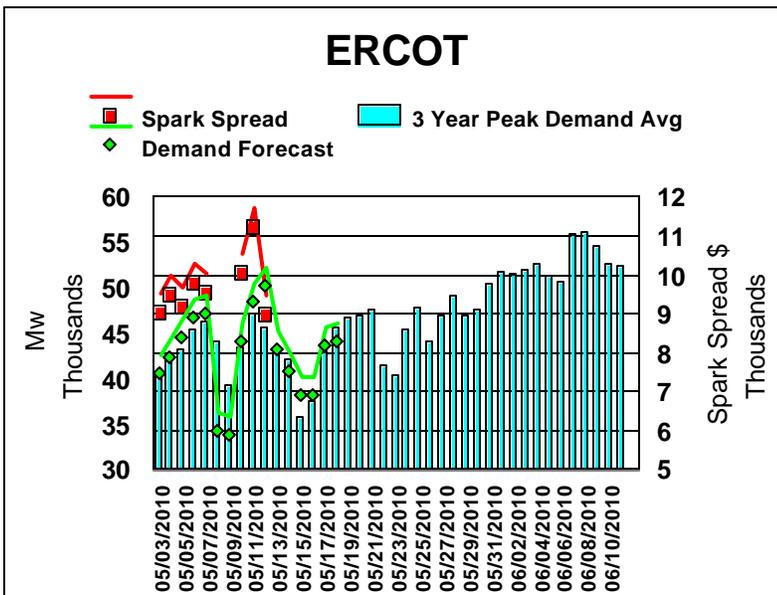
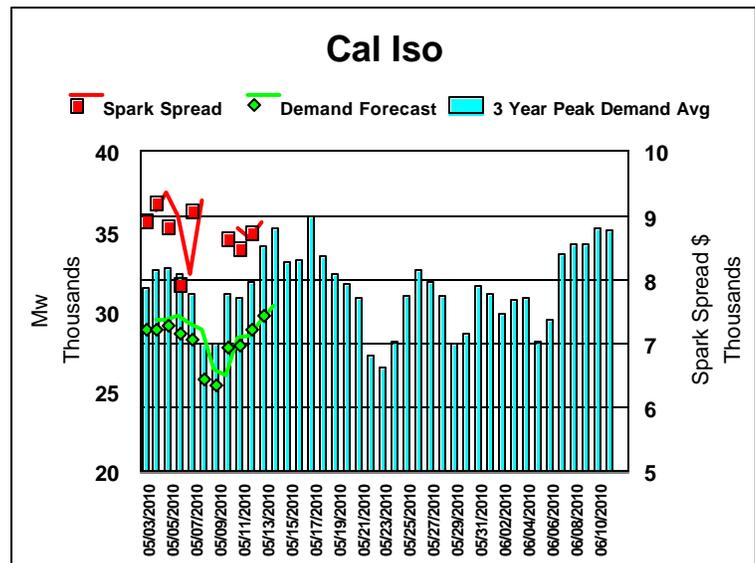


Enterprise Partners and Duncan Energy said that they expanding their processing and fractionation facilities to accommodate Eagle Ford shale production. The work is expected to be completed by the end of the second quarter of 2010.

Chevron said Wednesday that it was sending between 50 and 200 million cf/d of natural gas from Columbia to Venezuela.

Regional leaders in southern Peru are pressuring the central government to revise contracts for the natural gas sector, demanding that domestic fuel supplies be

assured before the country can export gas. Construction of the country's LNG export facility is expected to be completed by the end of May. Regional leaders are seeking a promise of access to 4 tcf of reserves and swift construction of a \$1.5 billion gas pipeline that would run from the Camisea field through the Andes Mountains and down the country's southern coast. The Peruvian president though said Peru will move forward with plans to allow companies to export natural gas, since it would be irresponsible and amount to breaking contracts set by his predecessor if he sought to alter the planned export of LNG from Peru.



A study released today by the Canadian Society for Unconventional Gas estimates that there is 700 –1300 tcf of recoverable gas reserves in conventional and unconventional plays such as shale, tight sands and well above the 57.9 tcf estimate from the EIA of proved reserves. As a result the group estimated that Canada has enough gas resources to last 100 years.

#### **PIPELINE MAINTENANCE**

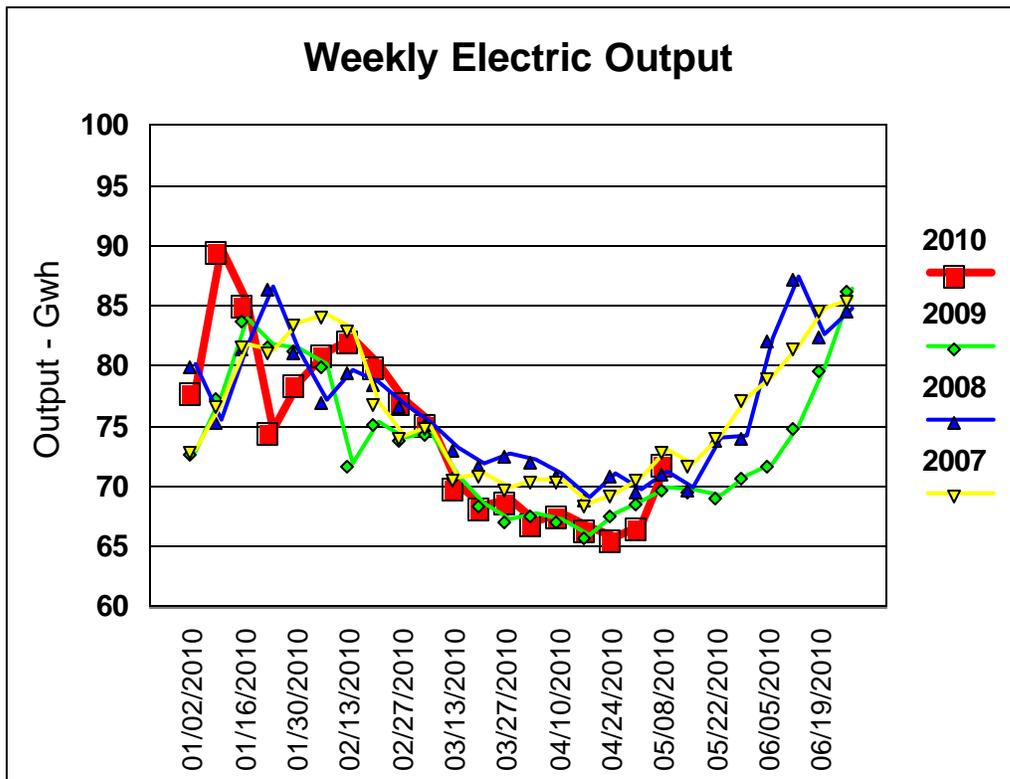
The Midcontinent Express Pipeline said that recent heavy rains have resulted in unexpected shifting of several sections of buried pipeline that will require the company to excavate and and

reposition the line. During this work the line will be isolated and the pressure removed. The affected sections of the pipeline are located in Segment 200 in Zone 2 in Madison Parish, Louisiana. All Zone 2 delivery points will be unavailable. The company as a result has declared a force majeure for May 15<sup>th</sup> and will last until the repairs are completed on or about May 24<sup>th</sup>.have moved upward in the backfill.

Southern Natural Gas said it has completed the maintenance on the Oak Grove Lick Creek receipt station and would begin accepting nominations effective May 12<sup>th</sup>.

Gulf South Pipeline said today that it has revised its pigging maintenance on Index 205 on the Iowa Franklin 10 inch pipeline. The work originally slated to begin May 14<sup>th</sup> has

been rescheduled to begin on May 24<sup>th</sup> and will last for seven days. The company also reported that it will perform unplanned maintenance on Unit #2 at the Bistineau Compressor Station beginning immediately and continuing for approximately three weeks. Storage injection capacity could be reduced by as much as 75,000 Dth during this work. Withdrawal capacity though was not expected to be affected.



### **PIPELINE RESTRICTIONS**

Tennessee Gas Pipeline said that effective May 12<sup>th</sup> it has restricted through approximately 57% of market to supply secondary out of path nominations pathed through the Niagara Spur Backhaul point.

### **ELECTRIC MARKET NEWS**

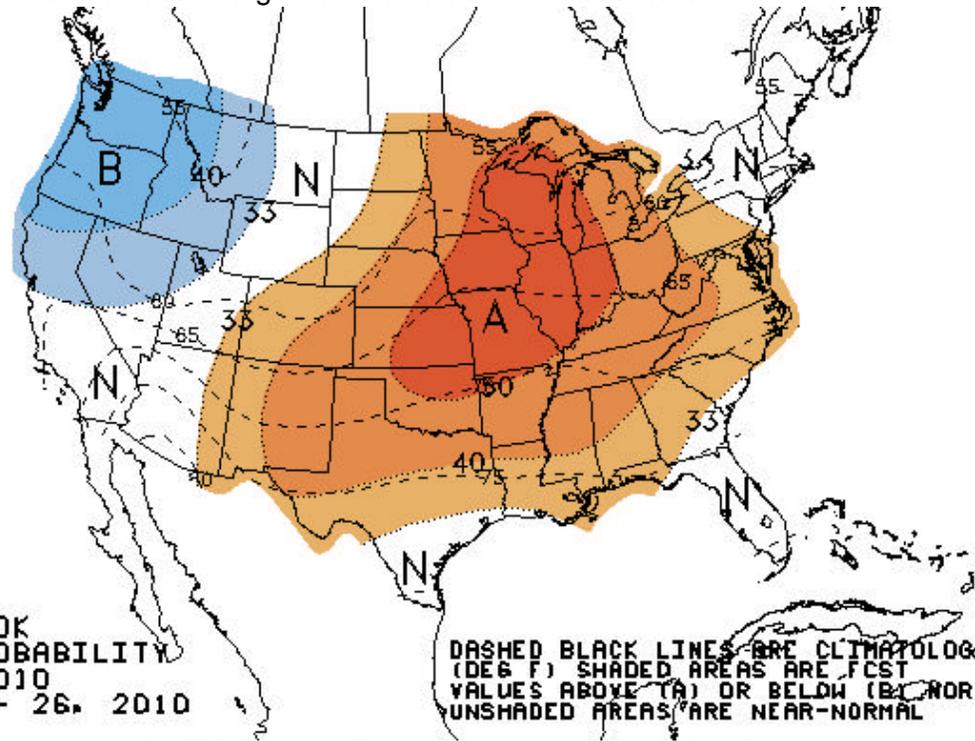
ERCOT said today the completion of new power plants in the region will raise the state's power supply this summer by 2,736 Mw over last year and boost the state's power reserve margin above 21%, well above last year's 16.9% margin. ERCOT expects demand this summer will peak out t 64,052 Mw. Last summer saw a peak demand of 62,397 in July.

The Edison Electric Institute reported today the power generation in the United States during the week ending May 8<sup>h</sup> reached 71,785 Gwh, up 7.8% from the previous week and up 3.1% from the same week a year ago.

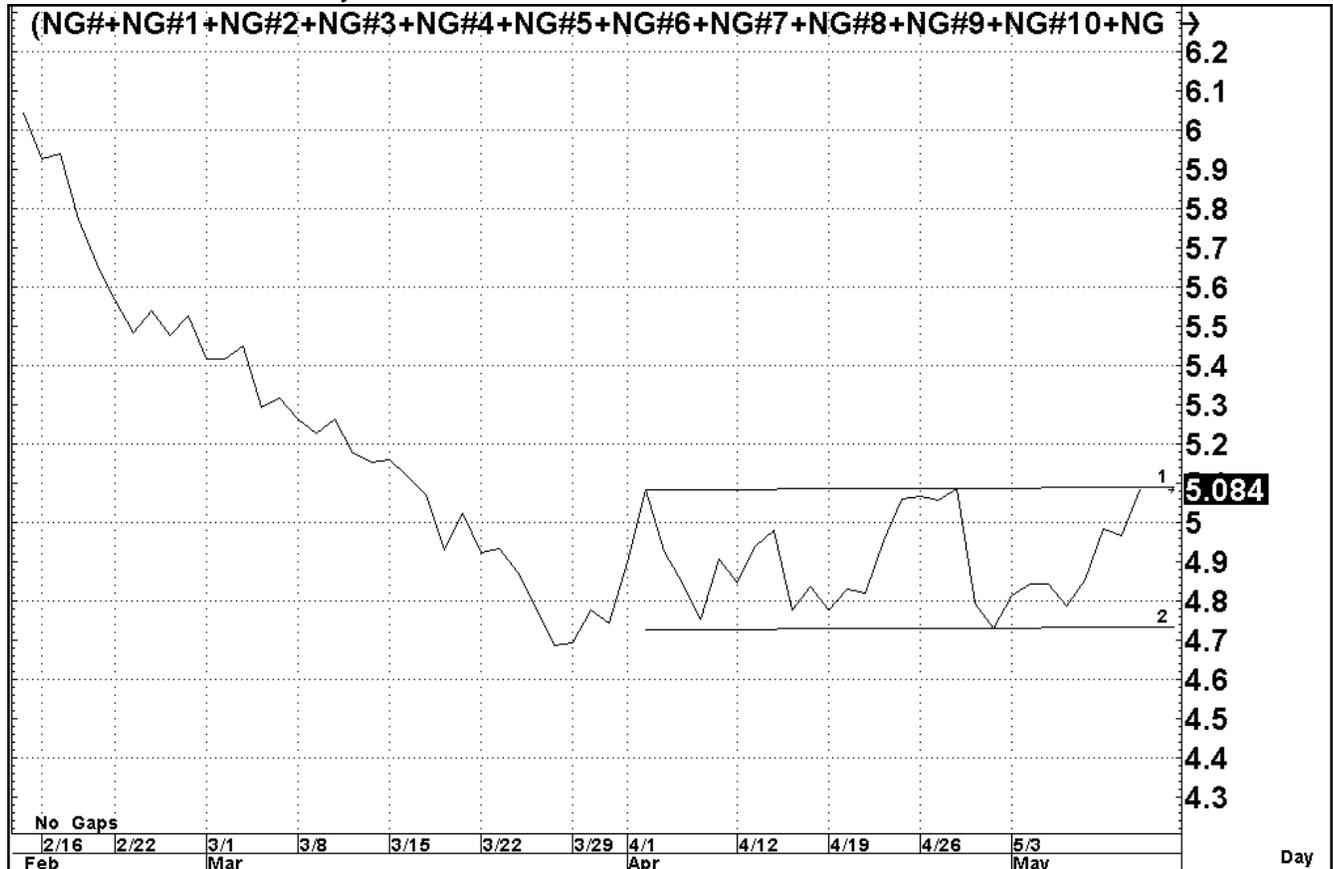
### **MARKET COMMENTARY**

The natural gas market today posted its third higher settlement out of the last four trading sessions as near term stronger demand and positive economic news continued help support prices. Cash market values at most locations were stronger again today, but failed to keep pace with the strength in the futures market. While volume was good today it still appeared that this market was incapable of

challenging the main support or resistance levels as most traders appeared content to await tomorrow's storage report before increasing their commitment to this market.



Market expectations for tomorrow's EIA Storage Report appear to be running between a 85-120 bcf build with the majority of estimates centered around a 100 bcf build. The same week a year ago saw a 94 bcf build while the five year season build shows a 84 bcf build.



We look for this market to retest the upper end of its two-month-old trading channel tomorrow. We see resistance initially at \$4.311 followed by \$4.386, \$4.417-\$4.424 and \$4.503. Support we see initially at \$4.125, \$4.08-\$4.074, and \$4.022 with more significant support at \$3.87 and \$3.81.

The 12-month strip for natural gas also is butting up against the upper limit of its recent trading channel as it finished up today at \$5.0838, up 11.8 cents from yesterday.

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