



## 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 18, 2010

#### NATURAL GAS MARKET NEWS

Gassco reported today that gas exports from Norway were reduced on Tuesday after technical problems continued to affect flows at the Heimdal Riser and the Kollsnes processing plant. The Heimdal Riser, an offshore platform that serves as a hub for allocating gas from several production platforms in the North Sea has had technical difficulties since Sunday. As a result gas capacity at the St. Fergus terminal in Scotland has been "reduced "a bit". Separately, a faulty compressor at the Kollsnes gas processing plant was fixed on Saturday, but there was still a "small reduction" in output Gassco reported. Kollsnes which processes nearly 40% of all Norwegian gas exports saw its export capacity reduced last week by over 30%.

New gas tariffs on Poland's gas company PGNiG will be in effect until the end of November, two months longer than previously stated the company said today. The new tariffs, raised by regulators by 3.3% on Monday, will take effect on June 1<sup>st</sup>.

#### Generator Problems

**NPCC** – Dominion's 1145 Mw millstone #3 nuclear unit was shut yesterday due to low steam generator water levels. While repairs were ongoing no restart date has been estimated.

OPG's 490 Mw Nanticoke #3 coal fired unit returned to service. The unit had been shut on Monday.

**PJM** – PPL's 1149 Mw Susquehanna #1 nuclear unit has exited its outage and ramped up to 35% power this morning.

**SERC** – Southern's 860 Mw Farley #2 nuclear unit has exited its refueling outage and has powered up to 30% power.

**MISO** – FirstEnergy's 1231 Mw Perry nuclear unit has started to exit its outage and was at 1% power this morning. The unit was shut on May 12<sup>th</sup>.

**ERCOT** – Luminant's 565 Mw Monticello #1 coal fired power plant was expected to be restarted over the next 48 hours starting today.

**The NRC reported that there was some 85,045 Mw of nuclear power generated today, up 0.7% from yesterday and basically unchanged from a year ago.**

The Chief Minister for Australia's Northern Territory said today that the proposed Bonaparte floating LNG project, being led by GDF Suez is targeting its first production in 2018. The plant will have a

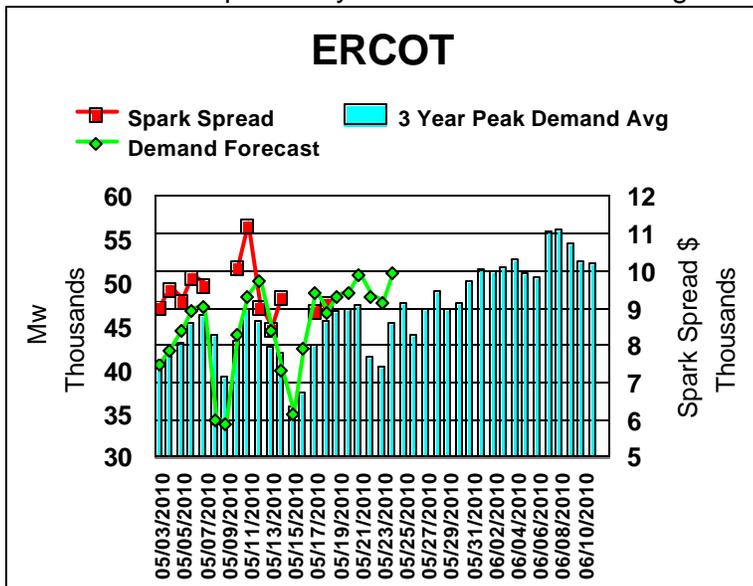
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	890,500	\$4.419	\$0.082	(\$0.033)	(\$0.035)	(\$0.082)
Chicago City Gate	563,200	\$4.486	\$0.079	\$0.034	(\$0.037)	\$0.025
NGPL- TXOK	695,600	\$4.315	\$0.103	(\$0.137)	(\$0.013)	(\$0.159)
SoCal	531,100	\$4.260	\$0.078	(\$0.192)	(\$0.038)	(\$0.224)
PG&E Citygate	808,300	\$4.572	\$0.060	\$0.120	(\$0.056)	\$0.124
Dominion-South	573,900	\$4.647	\$0.077	\$0.195	(\$0.039)	\$0.164
USTRade Weighted	20,540,300	\$4.396	\$0.081	(\$0.056)	(\$0.03)	(\$0.082)

capacity of 2 million tones per year. GDF bought three gas fields from Santos Ltd last year that it plans to use to feed the facility.

Waterborne Energy said it

sees LNG imports into the U.S in May will remain depressed, as most companies continue to bring in only contractual minimum. They expect June import levels will be very similar to May with 31-33 bcf

landing in the U.S. as UK spot prices retain their premium over U.S. values and production reductions in Qatar limit the possibility for additional LNG finding its way to the U.S.



EOG Resources said its Canadian unit will acquire all the shares of Galveston LNG, which is proposing to build a gas liquefaction plant near Kitimat, British Columbia. No details were disclosed though. The company has a stake in the Horn River shale gas field in northern British Columbia. The proposed plant would handle 700 million cf/d of gas with a price tag of \$2.9 billion.

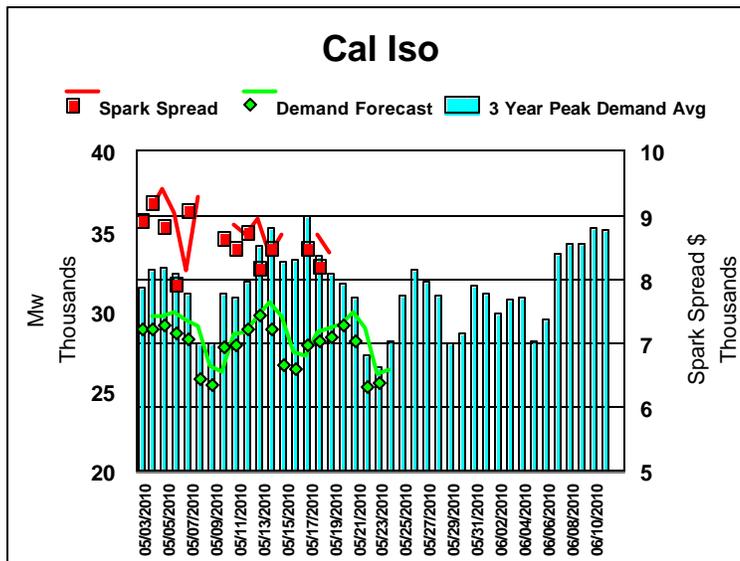
A senior Indian governmental official said today that India will review its dual pricing system next month and may allow state run firms like Oil and Natural Gas Corp to gradually raise the price of natural gas to levels charged by Reliance Industries.

The plan is to gradually raise administered prices to \$4.20 per Mmbtu. The hike in the administered price would apply to 40% of India's gas output of 140MMcmd that is sold mainly to power and fertilizer plants. Currently the rate is less than half of that rate.

Reuters reported that Kuwait is slated to receive another LNG cargo on May 28<sup>th</sup>.

Russia said today that it expects to finalize its gas pricing deal with China now by September.

A Repsol YPF spokesman said today that LNG expected to be produced in Peru next month will likely find its way to the Canaport terminal in eastern Canada, either through a swap or through direct supplies. The Manzanillo terminal on Mexico's west coast has been the planned destination for much of the Peruvian exports, but until the terminal is completed supplies will move elsewhere. Peru LN



The Commerce Department reported that housing starts increased by 5.8% to a seasonally adjusted 672,000 annual rate compared to the prior month. March starts, originally seen up 1.6%, were revised to an increase of 5%. Year over year, overall housing starts in the US last month were 40.9% higher than the pace of construction in April 2009. The April report showed that building permits fell by 11.5% to a 606,000 annual rate.

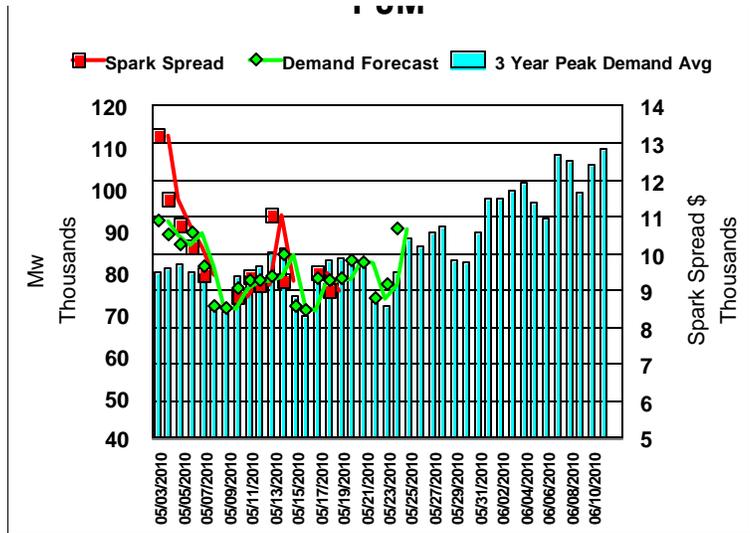
**PIPELINE RESTRICTIONS**

NGPL reported today that it has resolved its gas quality issue at Enbridge #1 Washita, in Oklahoma.

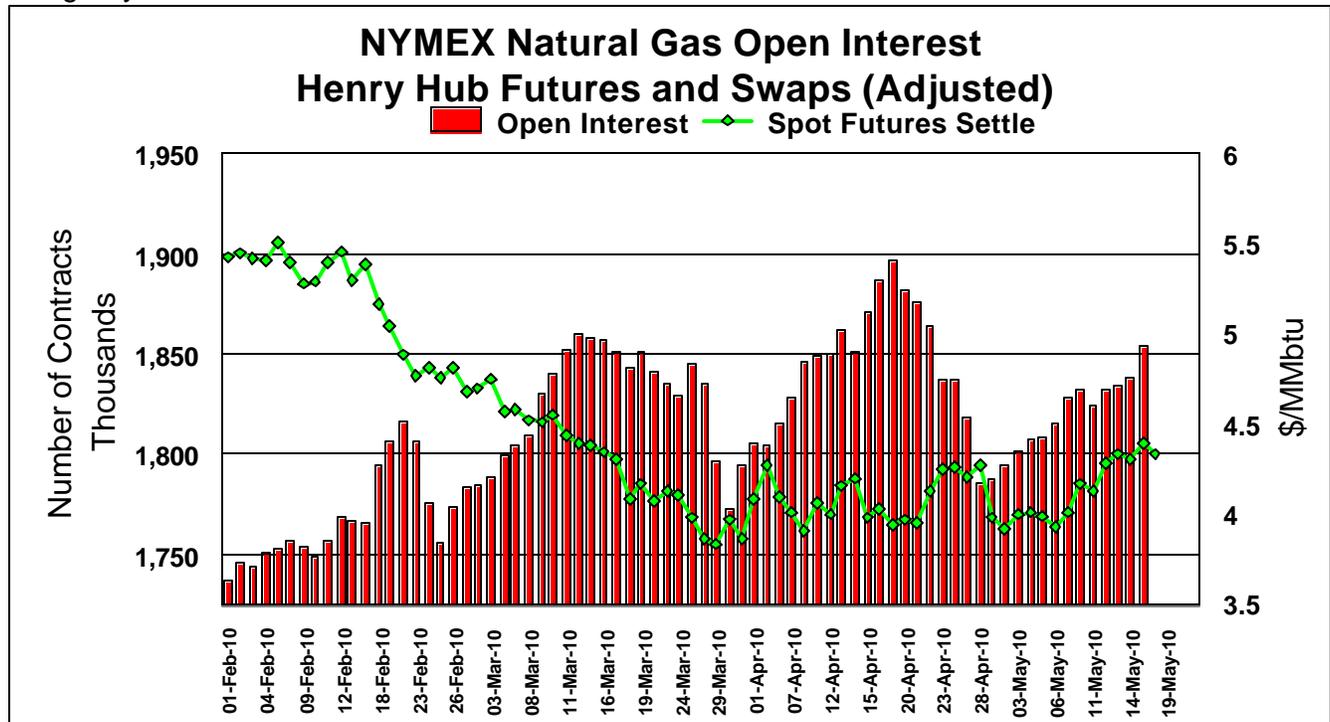
Tennessee Gas Pipeline reported that for today it had restricted through approximately 56% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul Point.

**PIPELINE MAINTENANCE**

Transco reported that valve repairs at Ship Shoal 224 have been completed and nominations will be accepted from Ship Shoal 246 effective for today.



Trailblazer Pipeline reported that it is required to perform unplanned maintenance at Station 602 located in Lincoln County, Nebraska. As a result effective today and until further notice, interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.



Southern Natural gas reported that it has completed a portion of the maintenance at its White Castle Compressor station in southern Louisiana. As a result, capacity in Group 40 – Franklinton West will be returned to 771,709 Dth effective today. The company expects the remaining West Leg HP maintenance will now be completed in mid to late June. The company also reported that the maintenance work at Bienville Compressor Station in northern Louisiana has been completed. The capacity in Group 57-Bienville-West will return to the previous level beginning today as well.

**MARKET COMMENTARY**

The natural gas market broke through resistance over night and rallied all the way up to \$4.494 before most traders even reached their desks this morning. With supportive weather forecasts, cash prices continued to strengthen at most trading hubs this morning. This coupled with supportive economic news from the housing sector seemed would have held prices up at these new recent highs but the market moved into the defensive mode in the afternoon as the oil market eroded being dragged lower

by the weakening euro. It appeared that this sell off could have been driven in addition by some profit taking as this market has seen a strong growth in open interest over the past couple weeks of this rally. Open interest just on Monday had jumped by over 16,000 lots on a combined and adjusted basis in the Henry Hub futures and swap contracts and by over 53,000 lots since the start of the month.

We would look for this market to mark time on Wednesday as traders stay on the sidelines and await Thursday's storage report. While we were looking for a rally to sell into, this market's inability to hold the gains from overnight and then settle lower makes us feel that this market's ability to grind even higher a bit questionable. We see resistance tomorrow at \$4.35 followed by \$4.50, \$4.678, \$4.727 and \$4.933. Support we at \$4.26-\$4.25, followed by \$4.175 and \$4.10.

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