



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR MAY 21, 2009

#### NATURAL GAS MARKET NEWS

The Department of Labor reported this morning that the number of U.S. workers filing new claims for jobless aid fell 12,000 last week to 631,000. New claims have declined in three of the last four weeks. But the Labor Department revised upwards last week number by 6,000. The number of people staying on benefits roll after drawing an initial week of aid increased by 75,000 to a more than forecast 6.662 million.

The Conference Board reported today that its index of leading indicators for the U.S. economy in April posted its first rise since June of 2008. The group noted that the leading indicators suggest that while the recession will continue in the near term, the declines will be less intense. The group noted that "if the indicators continue on the current track, that point might be reached in the second half of the year."

The National Weather Service this morning released their latest long-term temperature forecasts. It calls for above normal temperatures from June through August for much of the western U.S., the Gulf Coast and the eastern seaboard from Florida to New England. The National Weather Service today also released their latest forecast for the 2009

#### Generator Problems

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

OPG's 490 Mw coal fired Unit #5 Nanticoke power plant for short term maintenance work.

OPG's 494 Mw Lambton #2 coal fired power plant returned to service today.

Operators at OPG's 881 Mw Darlington #1 and #2 nuclear units expect to restart the units soon. The units have been off line since late April.

Entergy's 685 Mw Pilgrim nuclear unit was at 62% capacity this morning.

Constellation Energy's 610 Mw Ginna nuclear unit was at 58% capacity, up 8% from yesterday.

**PJM** – PSEG Nuclear's 1120 Mw Hope Creek nuclear unit was at 90% capacity this morning, down 10% from yesterday.

Operators at PPL's Susquehanna nuclear units continued to ramp up production. Unit #2 was at 73% power up 13% from yesterday, and Unit #1 was at 93%.

**SERC** – Duke Energy's 846 Mw Oconee #3 nuclear unit was at 20% power this morning.

**MISO** – FirstEnergy's 1231 Mw Perry nuclear unit remained unchanged from yesterday at 82% capacity.

**The NRC reported this morning that 86,956 Mw of nuclear generation capacity was on line, up 0.27% from yesterday and down 1.7% from the same time a year ago.**

Atlantic hurricane season and it calls for a near-normal one with 9-14 named storms and 4-7 hurricanes.

The House Energy and Environmental Subcommittee voted late Wednesday to extend cease and desist authority to the FERC over

#### **EIA Weekly Report**

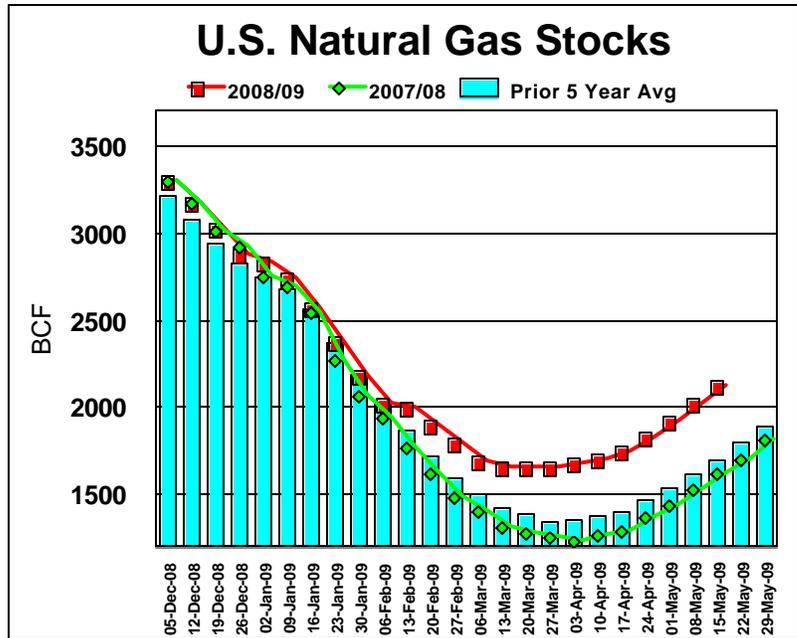
	05/15/2009	05/08/2009	Change	Year ago
<b>Producing Region</b>	879	854	25	592
<b>Consuming East</b>	892	827	65	789
<b>Consuming West</b>	345	332	13	220
<b>Total US</b>	2116	2013	103	1602

\*storage figures in Bcf

any entities participating in the natural gas market and the new carbon dioxide emissions market.

The CEO of Spectra Energy said his company is looking to raise its spending by 54% to \$1 billion in 2010 in order to meet producer demand for new infrastructure, due to more demand for natural gas generation and the changing dynamics of output from unconventional plays. He looked for natural gas to range between \$4.00-\$6.00 per Mmbtu.

Contract workers who staged walkouts at a number of UK energy plants this week are returning to work following an agreement to withdraw 40 non-UK workers from the South Hook LNG terminal.



StatoilHydro's Kollsnes gas processing plant remained shut on Thursday afternoon following its shut down on Tuesday afternoon.

**Canadian Gas Association**

**Weekly Storage Report**

	15-May-09	08-May-09	16-May-08
<b>East</b>	100.7	88.7	68.9
<b>West</b>	205.7	193.2	157.9
<b>Total</b>	306.5	281.9	226.8

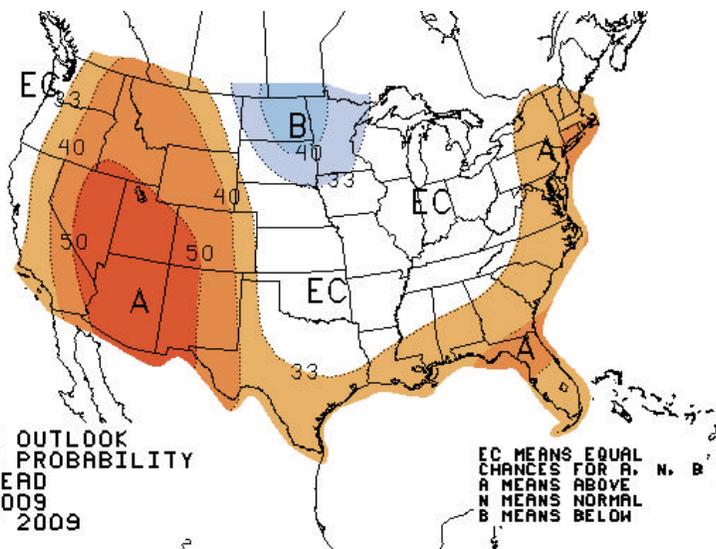
storage figures are in Bcf

The Canadian National Energy Board reported that Canadian natural gas exports kept on slipping through the past heating season. Pipeline deliveries to the United States declined even during February.

Europe in the week ending May 18<sup>th</sup> rose with stocks in Britain and Belgium up 4.5% to 58.5% of capacity

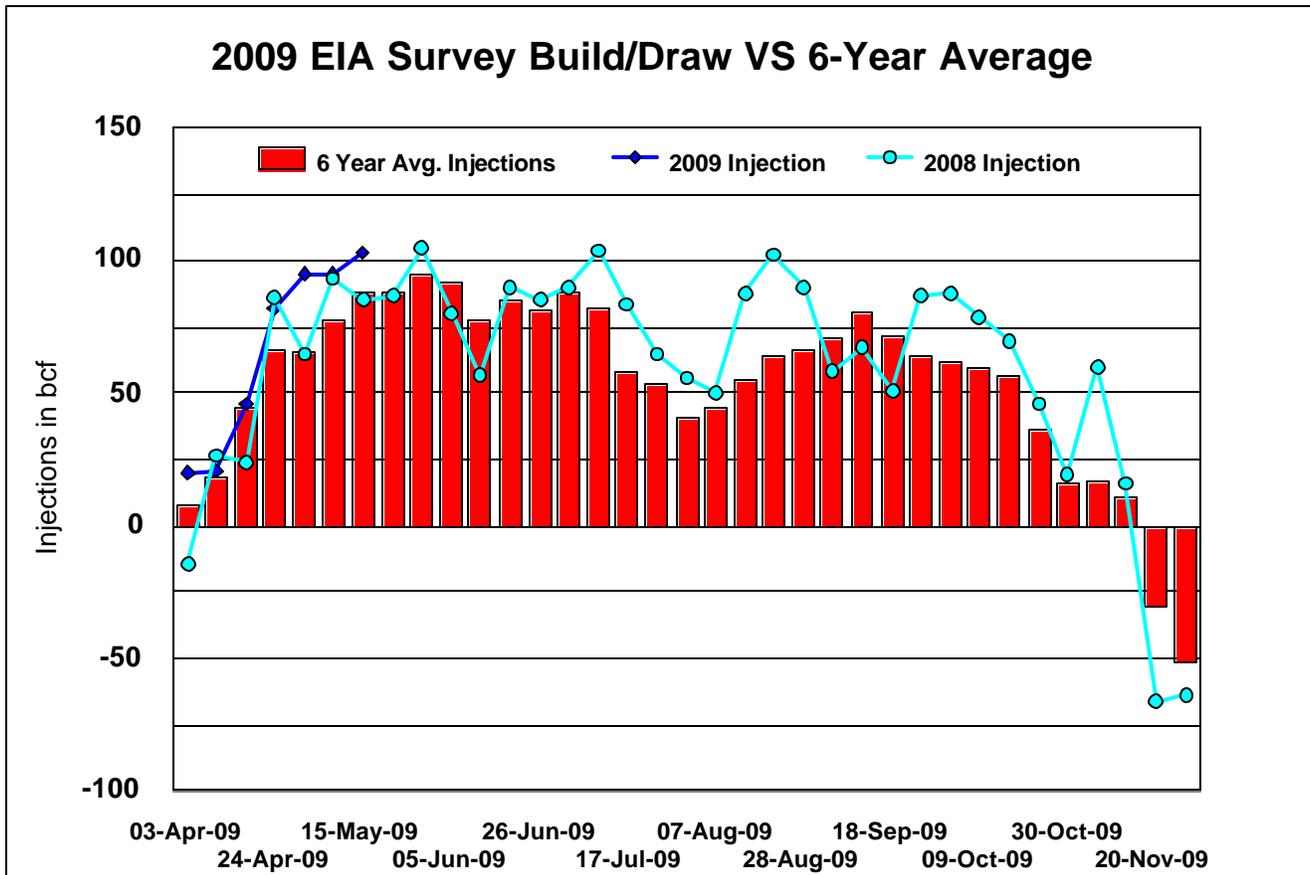
Gas Storage Europe reported that gas storage levels across

Gazprom's director of Marketing and Trading USA told an industry gathering on Wednesday that the company expects to ship up to 1.5 bcf/d of Russian LNG into the North American markets by the end of 2009.



Williams' Northwest Pipeline has filed an application with the FERC for an expansion and replacement project that would provide additional capacity to deliver natural gas from the Piceance Basin in western Colorado to the Opal Hub in Wyoming.

Naftogaz, the state energy firm of the Ukraine said today that the company



finances were healthy and that there was no reason for a new gas crisis, despite a Russian delegation source saying earlier in the day that the two countries are once again on the verge of a new gas dispute surrounding the issue of gas stocks in Ukraine.

**PIPELINE MAINTENANCE**

Gulf South said pipeline maintenance on its Index 219 has been completed. The work began on Wednesday. The company also reported that effective June 1<sup>st</sup>, all locations on its 42 inch East Texas and Southeast Expansion Pipeline will be available for service in June, but expects maintenance work by July will reduce capacity.

Trailblazer Pipeline reminded customers today that on May 27<sup>th</sup>, it still plans to run a smart pig from the west end of the pipeline to Station 601.

Panhandle Eastern Pipeline said it has experienced a line break upstream of the Centralia Compressor Station on the 200 line in central Missouri. Based on current operations and scheduling the company does not expect further capacity reductions at this time.

**PIPELINE RESTRICTIONS**

California Gas Transmission called a systemwide OFO for today due to high inventory on its system.

Tennessee Gas Pipeline said it has restricted capacity at several pipeline points for today. Carthage Line Lateral has been restricted due to nominations that were in excess of capacity, and thus the company restricted through approximately 75% of Supply to Market Secondary Out of Path nominations. The company also has restricted Station 219 due to maintenance work. The company also reported that at the Leidy Meters it has restricted through approximately 11% of Supply to Market Secondary Out of Path nominations. The company also said that starting Saturday it was issuing an OFO action alert for all balancing parties in several zones and was issuing at 2% tolerance.

NGPL said that effective for this weekend and until further notice it will not schedule IBS Banks or Take Paybacks or LPS Parks or Loan Paybacks in the market delivery points on both its Amarillo or Gulf Coast systems.

East Tennessee Natural Gas issued a systemwide OFO due to the shipping alert posted by Tennessee gas Pipeline. Spectra's Egan Hub Storage Unit also said any intraday nomination increases or decreases to or from Tennessee Gas would be subject to Egan's capability to match physical flow to change during the duration of the OFO.

### **ELECTRIC MARKET NEWS**

Southern Company said it plans to demonstrate carbon capture and storage technology at a coal fired power plant near Mobile, Alabama, with a portion of the carbon dioxide emissions at the plant captured for underground storage in a deep saline geologic formation. Beginning in 2011, between 100,000 and 150,000 tons of CO<sub>2</sub> per year, or the equivalent of emissions from 25 Mw of the plant's capacity, would be captured for storage. The CO<sub>2</sub> would be transported 10 miles from the plant via pipeline and stored underground within the Citronelle Oil Field.

### **MARKET COMMENTARY**

The natural gas market was hammered today. The spot futures contract posted the widest trading range for a non-expiration day since the end of November of last year. While the contract was lightly lower this morning prior to the inventory report, the release of the report and its 103 bcf build just opened the gates for sellers to flood into the market, pushing prices down over 20 cents within minutes and keeping it there through the remainder of the trading session. To compound the situation the NWS hurricane forecast for just a normal hurricane season, coupled with weaker oil and equity values seemed to offer little positives for the longs to hang their hats on.

We see modest support at the \$3.57-\$3.59 area, but if this is taken out we feel a challenge of the \$3.25 area is in the cards. Resistance we see at \$3.91 and then \$3.95 followed by \$4.00, \$4.077 and \$4.195. More distant resistance we see \$4.35 and \$4.575.