



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

## **NATURAL GAS & POWER MARKET REPORT FOR MAY 26, 2009**

---

### **NATURAL GAS MARKET NEWS**

The Conference Board reported this morning that U.S. consumer confidence soared in May to its highest level in eight months, to 54.9, up from a revised 40.8 in April. This was the biggest one-month jump since April 2003. Market consensus had been for the index to rise to only 42.

WSI Corp released their latest updated outlook for the 2009 Atlantic Hurricane season and they continue to look for it to be quieter than last year's forecast.

According to documents released today by the Fed, it showed that concerns over the economic outlook prompted the directors of all 12 regional Federal Reserve banks to vote to keep the discount rate unchanged at 0.5% in April.

BG Group's natural gas tanker, Seri Alam, is expected to arrive at the Elba Island terminal from Egypt on Tuesday.

BP's LNG tanker the British Emerald is expected to arrive

### **Generator Problems**

**NPCC** – OPG's 515 Mw Pickering #4 nuclear unit returned to service today. The unit had been shut since May 3<sup>rd</sup>. The company also reported that its 881 Mw Darlington #2 nuclear unit also returned to service.

**PJM** – FirstEnergy's 892 Mw Beaver Valley #1 nuclear unit which returned to service last week following its refueling outage was back at full power this morning.

PPL's 1150 Mw Susquehanna #2 nuclear unit was at 88% capacity this morning, up 9% from Friday.

**SERC** – Duke Power's 846 Mw Unit #3 at the Oconee nuclear power plant has exited its recent maintenance outage which began back on May 21<sup>st</sup> and was at 96% power this morning.

Southern's 1752 Mw Hatch #1 and #2 nuclear each exited outages and were back online this morning. Unit #1 which had been off line since May 4<sup>th</sup> was at 90% power this morning, while Unit #2 which has been off line since February 6<sup>th</sup> for refueling was at 21% power.

Progress Energy's 937 Mw Brunswick #2 nuclear unit was at 55% power this morning, down from full power reported on Friday.

**SPP** – AEP's 675 Mw Pirkey coal fired power plant is expected to be off line until June 10<sup>th</sup> to fix a boiler tube leak.

Texas Municipal Power's 462 Mw Gibbons Creek coal fired power station returned to service May 25<sup>th</sup>.

**MISO** – Exelon's 867 Mw Quad Cities #1 nuclear unit was restarted and was at 1% power this morning. The unit had been taken off line back on April 27<sup>th</sup> for its scheduled refueling outage.

FPL's 512 Mw Point Beach #1 nuclear unit dropped to 55% capacity on Tuesday. The unit had been at full power back on Friday.

Exelon's 1118 Mw LaSalle #1 nuclear unit has exited its recent refueling outage and ramped up to 30% of power on Tuesday. The unit had been off line since May 21<sup>st</sup>, when it tripped off line due to a small fire.

Xcel Energy's 538 Mw Prairie Island #1 nuclear unit was at 52% power up 21% from Friday.

**WSCC** – PG&E's 404 Mw Helms pumped storage #3 unit returned to service Monday. The unit had been off line since September 28<sup>th</sup>.

PG&E reported its 1118 Mw Diablo Canyon #1 nuclear unit was back at full power this morning, after spending last week at 48% power.

**The NRC reported this morning that 89,670 nuclear generation capacity was on line, up 0.7% from yesterday and up 3.3% from the same time a year ago.**

at the Isle of Grain LNG terminal from Trinidad on June 6<sup>th</sup>.

Energy consultants at Wood Mackenzie noted that they expect the Middle East's share of the global LNG export market will shrink by nearly a third between 2012 and 2020, due to its rising domestic demand for natural gas for power and desalination. They also note that domestic gas in the region in some cases is being sold below the cost of supply, while exports achieve market rates. This places governments in a difficult policy position for moving forward. They noted that the UAE, which has just launched tenders for the estimated \$10 billion Shah gas project that will supply local industries, could face a deficit in excess of 1 bcf/d by 2020. ConocoPhillips said today that it remains committed to the Shah gas project. The project is slated to come online by the end of 2014 or the first quarter of 2015.

British spot natural gas prices fell to their lowest level since June 2007, as National Grid reported that its system was long by large margins, as a result of ample supply from Norway, as supply had gone up to above 60 million cubic metres per day overnight before coming down to 40 million, well above the 35 million recorded last week.

Qatargas said on Monday it was not considering curbing its production despite the global decline in demand. It also reported that Qatargas Train 5 should be "mechanically completed within a few weeks". The company noted that Train 4 is under maintenance and is expected to be restarted in the next few days.

Kuwait's first LNG export terminal is expected to begin commercial operations by August, Kuwaiti officials said today. Output from Kuwait's northern Jurassic gas field would reach around 600 million cf/d by 2012, and officials hope that the field will eventually produce at 1 bcf/d.

Yemen LNG said it expects to make its first shipment from its new gas liquefaction plant in August. The company had earlier this month been looking for a July start up target.

British Gas reported that Centrica took delivery of Britain's first ever cargo of Australian LNG on Tuesday. The LNG Pioneer tanker came from the North West Shelf export plant in Australia and arrived as expected on Tuesday.

North Sea gas pipeline operator Gassco reported Monday that the Kollsnee gas processing plant was shut down on Monday and will remain off line until June 6<sup>th</sup>. The daily processing capacity of the facility is 143 million cubic meters. Meanwhile StatHydro said it has shut three North Sea gas fields, Troll, Visund, and Kvitebjørn. The company though declined to say how long its fields would be off line.

Gazprom said yesterday that it is concerned that the Ukraine will not be able to pay in full for May's gas supplies. The company noted the situation as very, very grave. The company warned that if there is any disruption in payments for May supplies it will have to move over to 100% advanced payments.

Noavatek announced it had approved the acquisition of a 51% equity stake in Yamal LNG for \$650 million. Yamal LNG holds the license for exploration and development of the South-Tambeyskoye field.

### **PIPELINE MAINTENANCE**

Questar said that in order to comply with integrity management regulations it will install launching and receiving facilities on ML 104 that will allow Questar to run a smart pig for internal inspection of ML 104. The work is expected to take 3 days, scheduled for June 16-18.

Gulf South said it began performing unscheduled maintenance at the Montpelier Compressor Station on Unit #1 on May 25<sup>th</sup>. The work is expected to last two days. Capacity through the station, with Unit #1 down, could be reduced by as much as 75,000 Dth for the duration of the maintenance.

## PIPELINE RESTRICTIONS

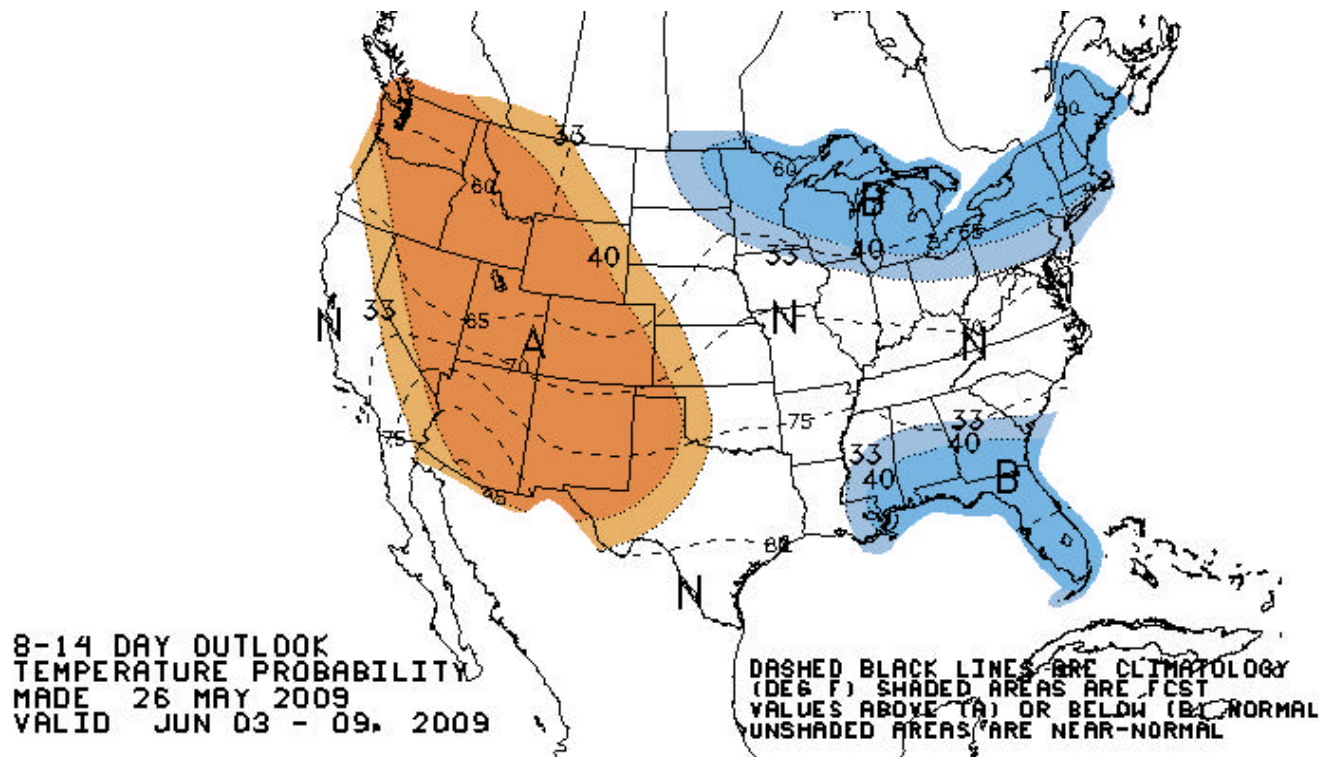
Tennessee Gas Pipeline said effective for Intraday Cycle #1 for May 26<sup>th</sup>, due to reduced nominations, the company was accepting increases for nominations sourced from meters located on the Carthage Line Lateral.

El Paso Natural Gas said that due to high line condition, there was a good possibility the company would declare a Strained or Critical Operating Condition today.

## ELECTRIC MARKET NEWS

Duke Energy's CEO said Tuesday that his company will probably be moving toward additional nuclear generating capacity. He noted that the two coal plants it currently has under construction might be the last two coal plants it will build until a clearer picture develops on carbon capture and storage technology. He felt that this technology is commercially untested and is 10-15 years off.

Cape Wind announced that it has completed the State and Local permitting process with a unanimous vote of the Massachusetts Energy Facilities Siting Board which granted Cape Wind a 'Certificate of Environmental Impact and Public Interest' that rolls up all State and Local permits and approvals into one composite certificate. Completion of the federal permitting process is expected soon.



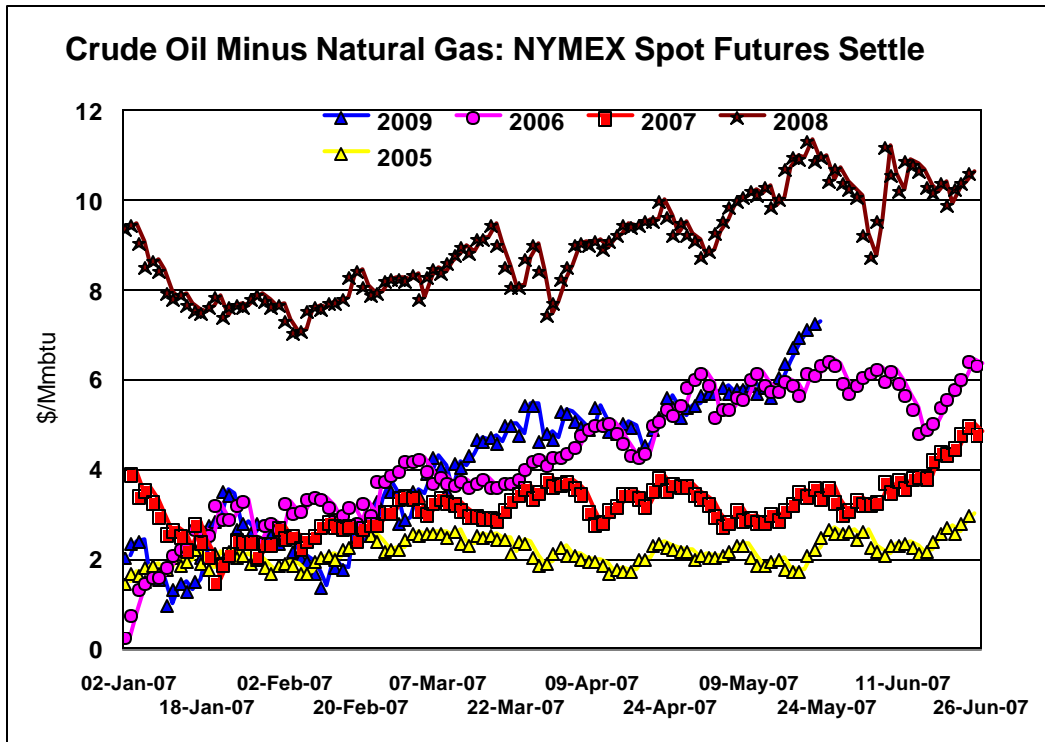
Analysts at Raymond James & Associates, said in a research note that they see the currently U.S. climate change legislation approved by the House Energy and Commerce Committee as being likely neutral for natural gas but would certainly make renewable energy technologies big winners, with the coal sector obviously the biggest loser.

Platts reported that President Obama's nominee for the Supreme Court, Judge Sonia Sotomayor, was the lead jurist in a 2006 case in which Connecticut and other states tried to force five large U.S. electric utilities to reduce their carbon dioxide emissions. While she never ruled in the case since it was overtaken by another climate change lawsuit that went to the Supreme Court, she did seem to point to the government has a role to play in regulating industrial greenhouse gas emissions during oral arguments.

Coal supplies at U.S. power plants rose 1.4% this week from last week and were at 15.2% higher level than the same week a year ago.

**MARKET COMMENTARY**

While the news that the Conference Board raised its index on its Consumer Confidence Survey to its highest level in eight months, which sent the equity and oil markets skyrocketing this morning, the natural gas market was dragged up as well but could not keep pace with bulls in these other two markets as



moderate temperatures over the next couple of weeks coupled with seasonally high nuclear generation levels and gas storage levels continued to keep the bulls from embracing this market. We continue to look for this market to be on the defensive in the coming couple of weeks until traders receiving some signal that the excess supply overhanging this market begins to be worked down. We would continue to look to sell rallies in this market towards the \$4.00 level. We see initial resistance tomorrow at \$3.653 followed by \$3.841, \$3.982, \$4.00 and \$4.122. Support we see at \$3.46 followed by \$3.435, \$3.388, \$3.33 and \$3.278.

***The CME has adopted new NYMEX procedures that call for settlement prices for oil and natural gas contracts to be based exclusively on electronic trading prices in the closing minutes of each day's trade. The new procedures affect the first six month contracts for crude oil, natural gas, heating oil and RBOB effective June 1st between 14:28 to 14:30 EDT. According to the advisory, the NYMEX staff will settle the front month contract at the volume weighted average price of the outright trades executed on Globex during the close, rounded to the nearest tradable tick. The second contract month will be settled to the price implied from the volume weighted average price (VWAP) of the first/second month spreads that are traded on Globex during the close, using the front month settlement as the anchor price. The third through sixth contract months will be settled in chronological order based on price implied from the VWAPs of the one month and two month spreads that are traded on Globex during the close, provided that certain volume thresholds are met. Contract months beyond the sixth listed contract months will be settled by the NYMEX staff "in conjunction with market participants, based upon relevant spread relationships. The greatest weight will be given to spreads executed in large volumes late in the trading day, either on Globex or on the trading floor.***

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.