



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR JUNE 5, 2009

#### NATURAL GAS MARKET NEWS

According to Baker Hughes, the number of oil and natural gas rigs in North America fell last month. It said the number of US rigs in May fell 7.7% on the month and by 51% on the year to 918. Internationally, the number of oil and gas rigs increased by 7 to 993 in May, down 7.6% on the year. Baker Hughes reported that the total number of oil and gas rigs in the US fell by 12 to 887 in the week ending June 5<sup>th</sup>. The number of rigs searching for oil fell by 8 to 179 while the number of rigs searching for natural gas fell by 3 to 700.

The Ukrainian President said today that the Ukraine will pay its Russian gas bill for May and it was being made on Friday afternoon, as he said he had personally authorized the release of the funds for payment. Reportedly as of Thursday the state gas firm Naftogaz has only \$120 million available to pay the \$620 million bill. As a result the central government had to come forward to pay the remainder of the bill. The president said in a statement that the Ukraine will "not allow a gas crisis to happen. Ukrainian and foreign consumers will get their gas." The Ukrainian energy envoy demand an apology from Russia considering their incorrect and humiliating statements concerning the ability of the Ukraine to pay for gas.

Congresswoman DeGettt and Congressman Hinchey said they plan to introduce a bill next week that would seek to repeal the current exemption for the hydraulic fracturing industry from underground injection control regulations under the Safe Drinking Water Act. The legislation would require all companies to disclose all chemicals used in hydraulic fracturing.

#### **Generator Problems**

**NPCC** – Entergy's 1025 Mw Indian Point #3 nuclear unit has ramped up to 25% of capacity as of early Friday, some 24% higher than Thursday morning's level.

**MISO** – Exelon's 1164 Mw Byron #1 nuclear unit was at 90% power this morning down 10% from yesterday.

**ERCOT** – Xcel Energy's 360 Mw Harrington #1 coal fired unit was expected to be taken off line this weekend for maintenance.

**The NRC reported this morning that 93,423 nuclear generation capacity was on line, up 0.1% from yesterday and up 3.2% from the same time a year ago.**

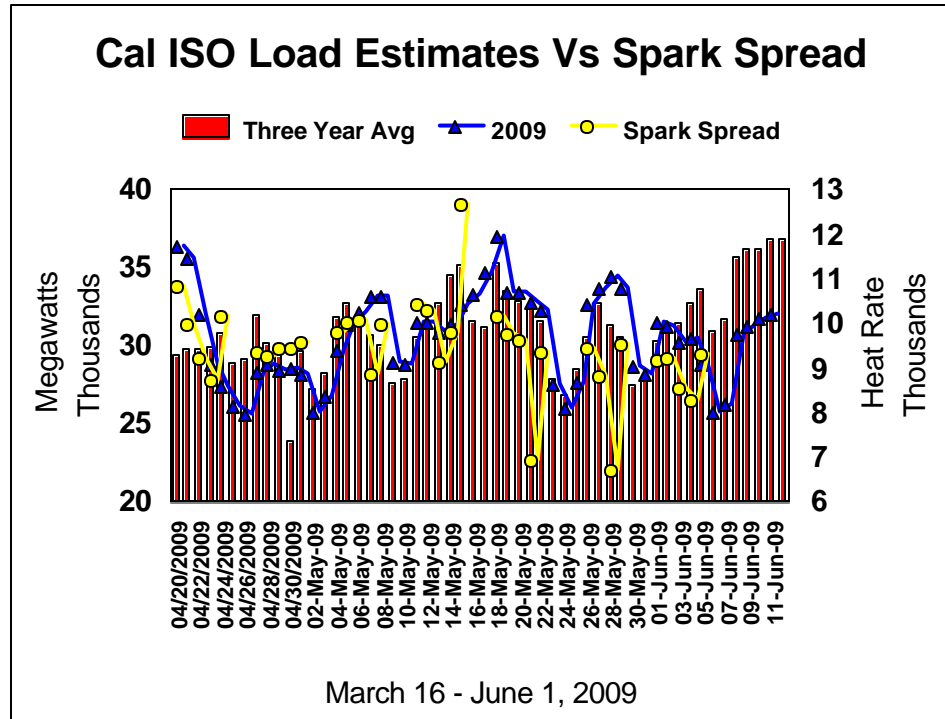
The FERC on Thursday approved Kern River Gas transmission's fully subscribed 1010 expansion of capacity from Lincoln County, Wyoming to Kern County,

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day Moving Avg
				(As of 12:30 PM)		
Henry Hub	845,400	\$3.511	(\$0.073)	(\$0.429)	(\$0.308)	(\$0.461)
Chicago City Gate	707,800	\$3.250	(\$0.171)	(\$0.690)	(\$0.374)	(\$0.335)
NGPL- TX/OK	832,800	\$3.182	(\$0.164)	(\$0.758)	(\$0.367)	(\$0.417)
SoCal	347,000	\$2.746	(\$0.181)	(\$1.194)	(\$0.384)	(\$0.924)
PG&E Citygate	703,800	\$2.833	(\$0.245)	(\$1.107)	(\$0.448)	(\$0.683)
Dominion-South	415,600	\$3.743	(\$0.064)	(\$0.197)	(\$0.267)	\$0.031
UTrade Weighted	18,179,600	\$3.223	(\$0.105)	(\$0.717)	(\$0.31)	(\$0.461)

California.

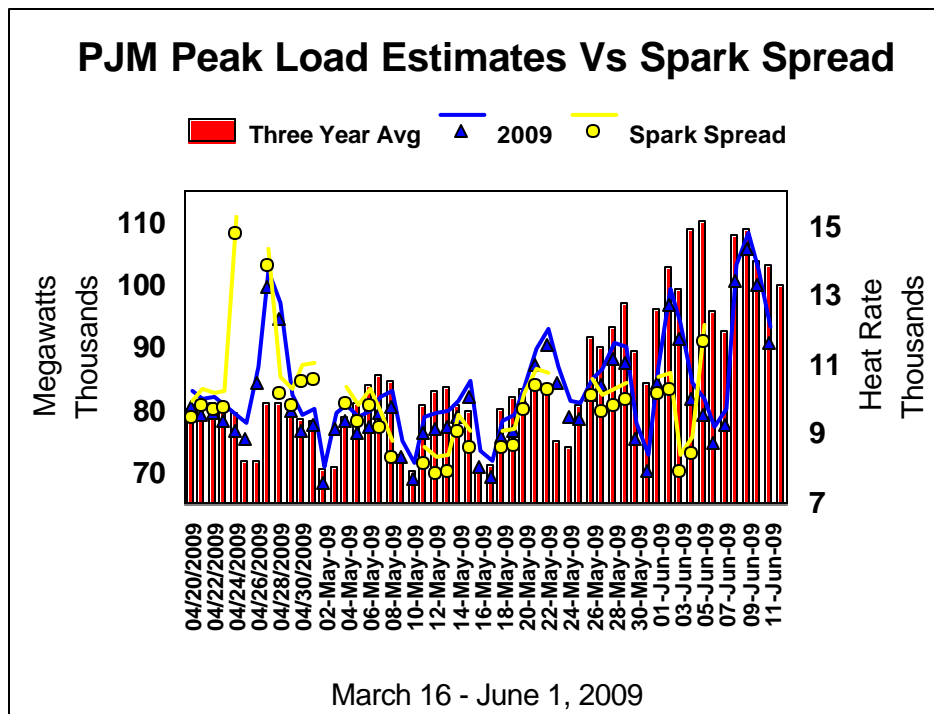
CIG has asked the FERC for authorization to commence service no later than June 29<sup>th</sup> on the Totem Gas Storage Field Project in Adams County, Colorado. The company is looking to begin injections of up to 6 bcf or working gas.

Gazprom said today that its 9.6 million mt/year Sakhalin 2 LNG project has begun commissioning the second train at its LNG plant. One trade source noted that the first cargo has been loaded but it was not expected that production would ramp up that quickly.



**PIPELINE MAINTENANCE**

Williams reported Friday that it shut down its Ignacio Gas Processing plant in Colorado after a pipeline had ruptured at the facility earlier in the week. The rupture damaged the pipeline, but the company expects the plant to return to service early next week. Repairs are expected to cost \$1 million. The plant has a normal processing capacity of 450 MMcf/d. The company said it has redirected about 250 Mmcf/d of gas to other facilities in the area.



Gulf South said it has been notified by Tennessee Gas Pipeline that point 022129 on the Tennessee Heidelberg expansion will not be available beginning July 25<sup>th</sup> through August 4<sup>th</sup>, due maintenance work by Tennessee.

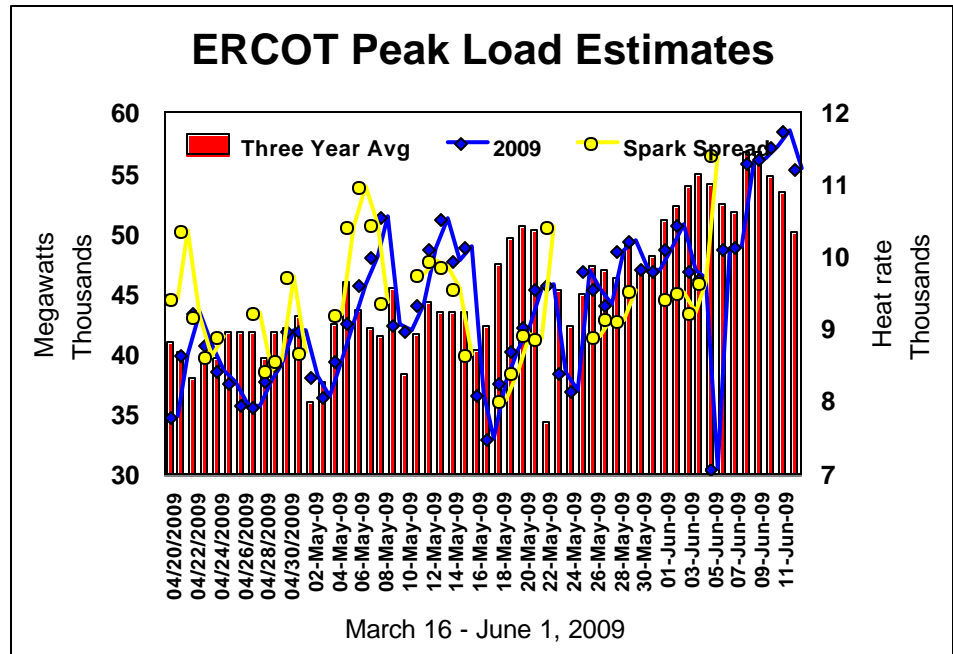
SONAT said a maintenance outage will begin June 9<sup>th</sup> at Bayou Gentilly and Delacroix and last until June 11<sup>th</sup>. It also reported an outage for June 10<sup>th</sup>-14<sup>th</sup> for American Bay and Quarantine Bay #2. The company also noted it plans maintenance work starting July 1-13 for points 039500 and 705000 at the Enbridge

Interconnect.

**ELECTRIC MARKET NEWS**

Genscape reported that U.S. consumption of coal shows some signs of recovery, but remains lower than the same time last year. The company's coal burn index rose 3% from last week but was still some 6% less than the same time a year ago.

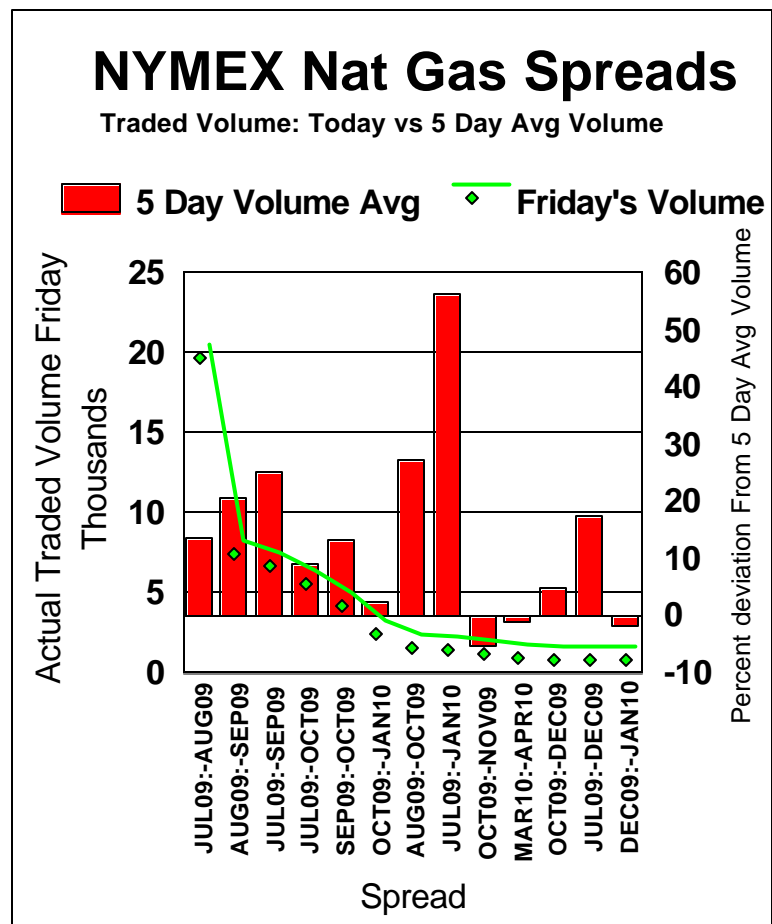
The EIA reported that U.S. coal production last week reached just 18.9 million short tons some 6.4% less than the previous week and 10.1% less than the same time a year ago.



**MARKET COMMENTARY**

The natural gas market today while working lower over night found buyers returning once the day session and the stock market opened. It appears the continued strong buying interest in the UNG ETF continued today, as many of the cable business channels continued to stoke the bullish fires as they discussed the relative undervaluation of natural gas to crude oil. The natural gas ETF while not matching yesterday's record volume still posted an active session especially during the morning with over 44 million shares traded on the day, with nearly 235,000 futures and swaps traded. Prices in the spot futures contract nearly retraced 62% of the prior three day sell off before finding resistance and backing off in the afternoon. Prices in the futures though still finished up on the day for the second day in a row, settling higher by a nickel to a dime.

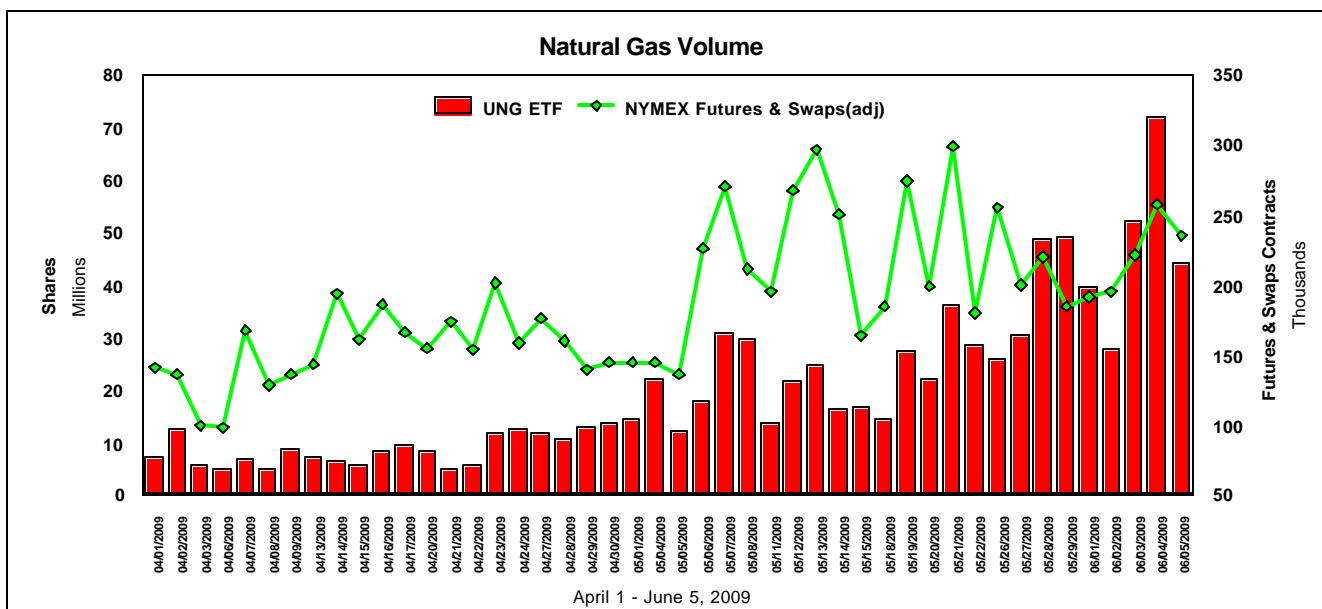
The NYMEX reported at midday that open interest in the Henry Hub futures and swaps market increased for the fourth trading session out of the last five. Thursday's trading activity appears to have resulted in the open interest in the Henry Hub futures and swaps on a combined and adjusted basis growing by



over 13,000 contracts with the vast of the increase in the front months. The UNG ETF reported that as of June 4<sup>th</sup>, its holdings in the NYMEX July natural gas contracts increased by 4564 lots and by 8,000 on the IPE. Their total position as of yesterday appeared to account for 66,837 (10,000 Mmbtu) contract equivalents, some 75% larger than just a month ago.

After the close the CFTC released their latest Commitment of Traders Report for the period ending June 2. It showed that on a combined and adjusted basis, non-commercials decreased their short position by 34,401 lots while reportable non-commercials decreased their net length by nearly an equal amount. Both groups posted their smallest net positions in this market since February.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/04/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	7	9	P	3.5	0.1371	0.1659	5780	0	0
LN	7	9	C	4.5	0.0733	0.0772	4540	0.08	0.055
LN	8	9	C	4.5	0.2694	0.253	4315	0.265	0.265
LN	7	9	C	5	0.024	0.0273	4285	0.028	0.015
LN	7	9	C	4	0.1964	0.1956	4255	0.21	0.135
LN	3	10	C	15	0.034	0.0294	4250	0.0375	0.0375
LN	8	9	P	3.5	0.245	0.259	3951	0	0
LN	8	9	C	4.25	0.3478	0.3274	3250	0	0
LN	7	9	P	3.25	0.0671	0.0868	2925	0.09	0.09
LN	8	9	P	3.25	0.163	0.1709	2475	0	0
LN	7	9	P	3	0.0285	0.0387	2450	0.03	0.03
LN	7	9	C	5.5	0.0072	0.009	2200	0	0
LN	9	9	P	3.5	0.3065	0.3149	2151	0	0
LN	9	9	C	4.25	0.526	0.4915	2000	0	0
LN	7	9	P	2.5	0.0046	0.0072	1905	0.006	0.005
LN	8	9	P	4	0.4749	0.504	1835	0.47	0.47
LN	7	9	P	3.65	0.1962	0.2301	1450	0.26	0.26
LN	12	9	P	4	0.1649	0.182	1325	0	0
LN	10	9	C	6.5	0.1899	0.168	1300	0	0
LN	8	9	C	5	0.158	0.1478	1250	0	0
LN	4	10	P	4	0.1707	0.1883	1250	0	0
LN	10	9	P	2	0.0388	0.0406	1140	0.04	0.04
LN	7	9	C	3.65	0.3561	0.346	1100	0	0
LN	8	9	P	3.75	0.3485	0.3697	1000	0	0
LN	3	10	C	9.5	0.2401	0.2137	975	0	0
LN	9	9	C	5	0.2999	0.2762	850	0	0
LN	10	9	P	2.5	0.094	0.0957	780	0	0
LN	10	9	C	5.5	0.351	0.3161	700	0	0



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