



## ***ENERGY RISK MANAGEMENT***

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## **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 19, 2009**

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### **NATURAL GAS MARKET NEWS**

Australia's oil and gas producer, Woodside Petroleum Ltd is looking to add four extra production trains at its Pluto gas project, more than earlier planned, to tap growing gas demand in the Asian Pacific region. Woodside had previously given plans for up to three trains at the \$10 billion Pluto project, on the northwest coast of Australia, with one unit with an annual capacity of 4.3 million tons currently under construction. First gas production is scheduled for 2010. Woodside said it was in negotiations with five companies to buy gas supplies to help underpin a second train expansion at the Pluto project.

#### **Generator Problems**

**MAIN** – Exelon's 1,163 – MW LaSalle 2 nuclear unit is in the process of reconnecting to the grid, operating at 1% following an Aug. 15 turbine trip. The unit had been running at full capacity on Aug. 14 when the turbine trip occurred during testing.

**The NRC reported this morning that 94,247 Mw nuclear generation capacity was on line, down 2.19% from Tuesday and down 0.32% from the same time a year ago.**

Iran and Turkmenistan have reached an agreement to transport 6 billion cubic meters of natural gas from Dolatabad field in southeast Turkmenistan to Iran's Khangiran refinery, the oil ministry's official Shana new web site said.

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State owned China National Offshore Oil Corporation has been struggling to find end-users for liquefied natural gas to be imported from Qatar because of high import costs. Most downstream buyers only signed intention agreements rather than formal contracts with the leading Chinese LNG importer. The LNG, which was priced in accordance with the Japanese Crude Cocktail, a benchmark for setting LNG prices for Japanese buyers, was estimated to arrive at Chinese terminal Dapeng at around 3 yuan per cubic meters. The price would be almost twice as expensive as existing supplies from Australia and would leave minimal margins for city gas distributors that face government-set gas retail prices and gas-fired power generators facing fixed power tariffs.

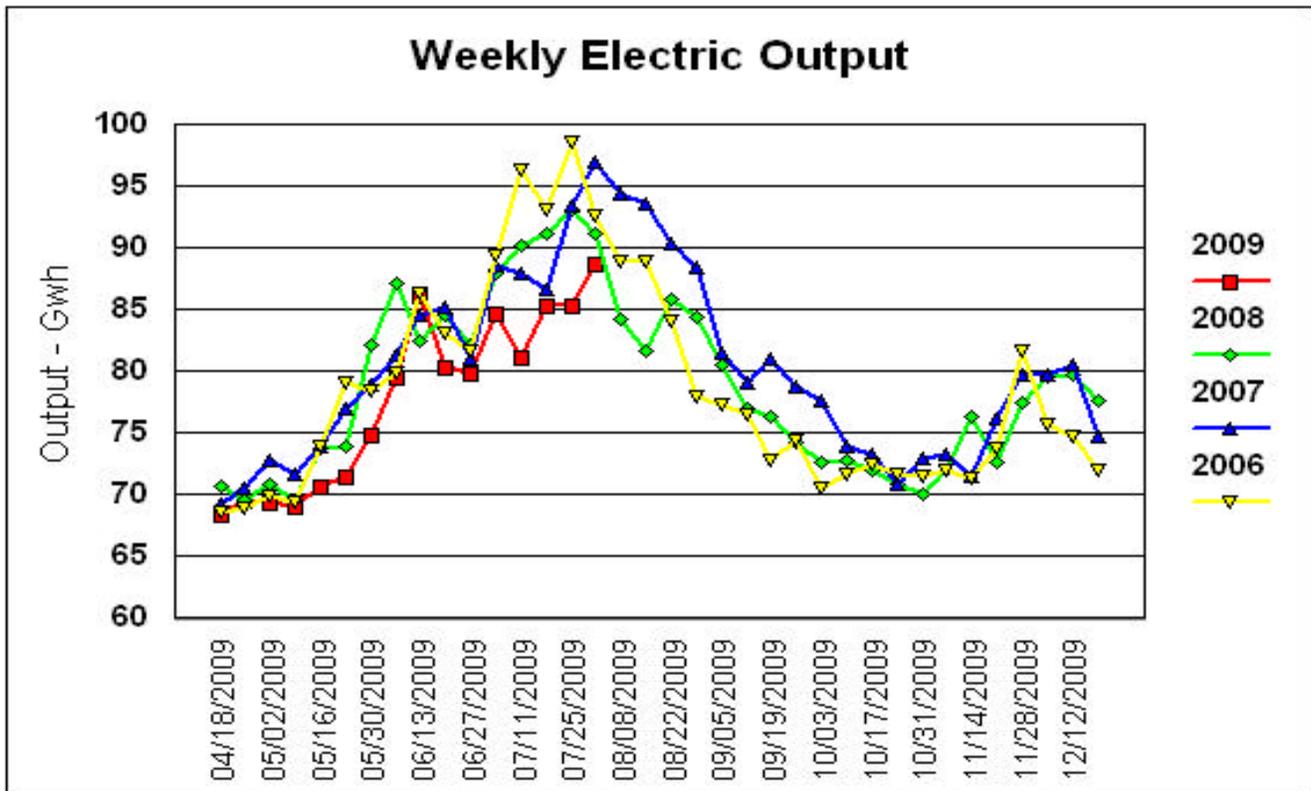
### **PIPELINE MAINTENANCE**

Southern Natural Gas Co. has completed maintenance at the Mississippi Canyon 194 platform (point code 022400) and will begin approving nominations on the evening cycle for the gas day of Aug. 19.

Gulf South said it will be performing pigging maintenance on Index 300-29, beginning Aug. 20 and continuing for one to two days. Delivery to LOC 2534 Jack Watson Power Plant will be unavailable during this maintenance. In a separate notice, Gulf South said it has completed Whistler junction Compressor Station maintenance.

### **PIPELINE RESTRICTIONS**

Effective timely cycle, 9:00 am CT, for the gas day Aug. 19, Tennessee Gas Pipeline Co. said it has restricted Niagara River Meter. Approximately 11% of supply to market secondary out of the path



nominations sourced from the Niagara River Meter had been restricted. Tennessee said that it also restricted through approximately 4% of supply to market secondary in the path nomination pathed for delivery to the Leidy Meters.

### **ELECTRICITY MARKET NEWS**

The Edison Electric Institute reported that for the week ending August 15<sup>th</sup>, US power production totaled 88,713 Gwh, up 3.94% on the week and up 5.32% on the year.

Genscape reported Tuesday that coal supplies at US power plants fell 0.6% in the week ending August 18<sup>th</sup>. Generators had 175.9 million tons of coal on hand, compared with 177 million tons last Tuesday and 137.8 million tons the same week last year.

Progress Energy Inc. said on Aug. 18 it plans to replace an aging three-unit, coal-fired plant in Wayne County, NC with new gas-fired generation. Progress utility subsidiary Progress Energy Carolinas has said that it will shut down its three-unit, 397-MW H.F. Lee plant near Goldsboro, NC and seek state approval to build a new 950-MW natural gas-fueled facility at the site. The project is expected to be in service in early 2013. Progress spokesman, Mike Hughes, said it is possible the company could retire additional coal units, but no decisions have been made. The existing Wayne County site is large enough to accommodate the additional gas-fueled generation, though some upgrades to electric transmission facilities will have to be done.

### **MARKET COMMENTARY**

The natural gas market settled in positive territory today following nine consecutive down days. The market continued to trade lower in overnight trading and posted a low of \$3.049 amid the lack of any immediate storm threats. Early in the session, the natural gas market bounced off its low and rallied to a high of \$3.186 as it attempted to move in sympathy with the oil market amid the supportive DOE weekly petroleum stock report. It however erased some of its gains and settled in a sideways trading pattern during the remainder of the session ahead of tomorrow's EIA storage report. It settled up 2.3 cents at \$3.119.

Market expectations for Thursday's EIA Natural Gas Storage Report range from a build of 48 bcf to a build of 67 bcf with an average estimate of a 56 bcf build. For the same week a year ago, inventories increased an adjusted 82 bcf while the five year average injection for the same week was 56 bcf.

The natural gas market, which will likely trade sideways ahead of the EIA report, will seek further direction from the report. The market is seen finding support at \$3.10, \$3.049, followed by \$2.981 and \$2.913. More distant support is seen at \$2.852, basis its support line. Resistance is however seen at \$3.15, \$3.186 followed by \$3.255 and \$3.324.