



## 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 SEPTEMBER 1, 2009

#### NATURAL GAS MARKET NEWS

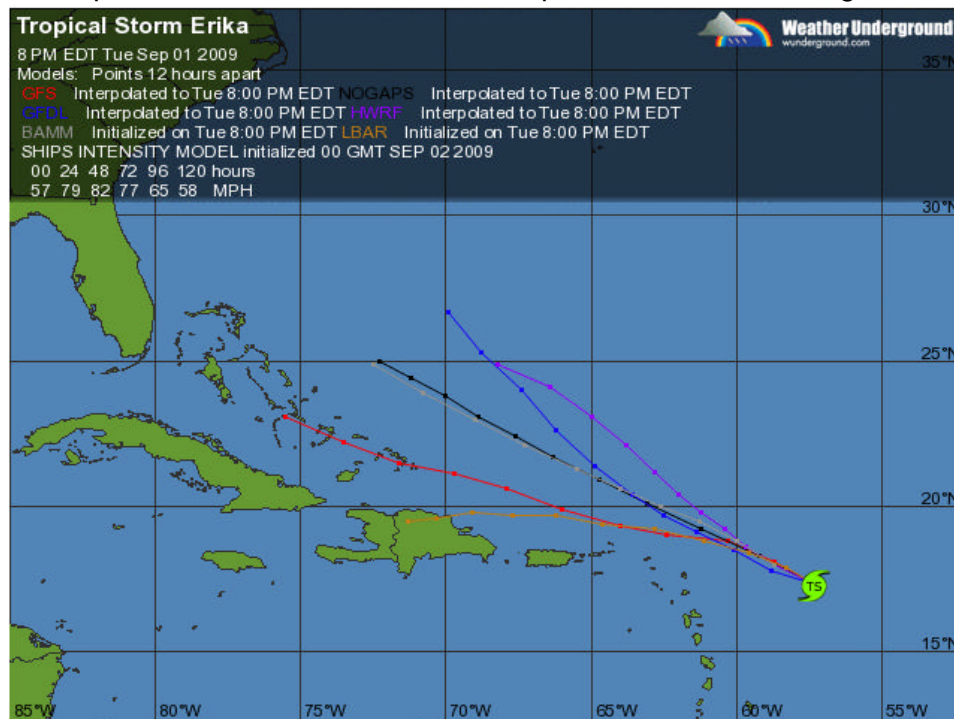
The tropical system Invest 94L, this evening was upgraded to Tropical Storm Erika some 390 miles east of the northern Leeward Islands. The system this evening had basically stalled but was expected to once again track west-northwest. The forecasted track of this storm beyond three days remains rather uncertain, the but consensus expectation at this time is the storm could be a threat to the southeastern U.S. if the storm does not turn out into the Atlantic. Meanwhile the National Hurricane Center this morning has begun to watch a tropical wave over the far eastern Atlantic between the Cape Verde islands and Africa that has begun to show some signs of development. Further intensification is expected to be slow though over the next few days as it moves

#### Generator Problems

**WSCC** – Energy Northwest’s 1131 Mw Columbia nuclear unit has been restarted and was at 12% capacity this morning. The unit was shut on August 6<sup>th</sup> due to a turbine trip.

**FRCC** – FPL’s 839 Mw St. Lucie #1 nuclear unit was at 85 % capacity this morning, down 15% from yesterday.

The NRC reported this morning that **95,913 Mw nuclear generation capacity was on line, basically unchanged from yesterday and up 3.8% from the same time a year ago.**



west to west northwest at 10-15 mph.

The EIA reported that according to its latest survey, peak storage capacity for natural gas in the United States has grown by 2.6% since April 2008 as a result of the opening of new storage facilities and expansions of existing facilities. The new aggregate peak capacity is set at 3.889 tcf as of April 2009.

The FERC today upheld its orders conditionally approving the first LNG import terminal and associated pipeline

facilities for the Pacific Northwest. The agency also denied the State of Oregon’s request to stay the project.

The NYMEX on Monday said it was delaying its earlier commitments to implement hard position limits for certain financially settled natural gas contracts by the end of September. The exchange noted that the CFTC was delaying implementation of position limits on comparable contracts under its rulemaking on Exempt Commercial Markets.

The Norwegian Petroleum Directorate cut its estimated recoverable oil and gas resources in the Barents Sea to 910 million cubic meters of oil equivalent, down 12% from its earlier estimate due to higher development costs and poorer than expected reservoir properties.

Chevron said its \$42 billion Gorgon LNG project in Australia gained approval for the production licenses needed for upstream gas fields it and its production partners needed. The company said it now needs to secure development approvals from the Western Australian state government before it and its partners can make a final investment decision.

The Mesaimmer LNG tanker is scheduled to arrive at the South Hook terminal on September 4<sup>th</sup>.

Britain's Dragon LNG import terminal has started commercial operations after its commissioning stage, the operator said Tuesday.

Gazprom said it would close one of its major natural gas pipelines to Europe for 30 hours starting this afternoon for planned repairs. The company said it would increase gas shipments via the Ukraine in order to make up for the shortfall created by the absence of the Yamal-Europe pipeline.

Gazprom said it is in negotiations with Japan about co-funding a major gas pipeline that would feed a LNG plant at Vladivostok.

BBL, operator of the gas pipeline from the Netherlands to the UK reported it has closed the line starting August 31 through September 4<sup>th</sup> for planned maintenance work.

### **PIPELINE RESTRICTIONS**

The Rockies Express Pipeline said that effective for September 1<sup>st</sup> and until further notice it has capacity constraints on its system at CIG Frewen Lake, WICX Bitter Creek, Trailblazer Lone Tree, WIC Sitting Bull, Lost Creek Wamsutter. The company also reported with would have maintenance work at the Arlington Compressor Station from September 15<sup>th</sup> through September 17<sup>th</sup> and as a result capacity through Segment 150 will be limited to 1600 MDth. Based on the current level of nominations, AOR/IT, secondary and primary quantities are at risk of not being fully scheduled.

Midcontinent Express Pipeline said that effective today and until further notice, it has limited capacity for flow to the ENOGEX/MEP Bennington Point. Interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.

Trailblazer Pipeline said that effective from September 1<sup>st</sup> it has capacity available for gas going eastbound through Compressor Station 602.

### **PIPELINE MAINTENANCE**

REX reported maintenance work is planned for the Steele City compressor station for September 15<sup>th</sup> and 16<sup>th</sup>. Capacity through Segment 260 will be at 1300 MDth and thus some nominations are at risk of not being scheduled. Other maintenance work is planned for the Lost Creek booster station from September 22<sup>nd</sup> through the 25<sup>th</sup> and it should limit capacity at the Lost Creek Sweetwater receipt point to 110,000 Dth/day.

Trailblazer Pipeline reported that it would perform maintenance on Units #1 and #2 at Station 602, located in Lincoln County, Nebraska but it is not expected to impact shipments.

El Paso Natural gas Company said it has returned to service the section of Line 1103 downstream of Wilcox; however repairs continue on the section of Line 1100 downstream of Wilcox and the SWG Cochise #2 meter.

### **ELECTRICITY NEWS**

NRG Energy said it has submitted a clean coal power initiative application to the Department of Energy to build a post-combustion carbon capture demonstration unit at the company's WA Parish plant located southwest of Houston. The project is expected to begin operations by 2013. It will process flue gas from the plant equal in quantity to that of a 60 Mw unit. It will be designed to capture 90% of incoming CO<sub>2</sub> or just under half a million tons of CO<sub>2</sub> annually. Once captured the CO<sub>2</sub> will be compressed and used in enhanced oilfield recovery operations.

Genscape reported that it estimates U.S. coal supplies at U.S. power plants rose 0.3% this week from last week as a result of cooler weather and weaker demand. Current stocks are some 25.9% higher than a year ago.

### **MARKET COMMENTARY**

The natural gas market continued to trend lower on Tuesday within its downward trending channel as it posted another lower high and lower low. The market briefly rallied over the \$3.00 level early in the session following the release of the Institute for Supply Management report stating that its manufacturing index increased to 52.9 in August, up from 48.9 in July. The report however provided a short-lived rally, as the market remained pressured by the high stock levels and the lack of any supportive developments this hurricane season. The market was also pressured by the sharp declines seen in the oil markets and the equity markets. The natural gas market sold off to a low of \$2.818 ahead of the close and settled down 15.6 cents at \$2.821.

Technically, the natural gas market is still seen trending lower, with support seen at its low of \$2.818, \$2.754 and \$2.686. Further support is seen at \$2.638, basis its support line and \$2.555. Resistance is however seen at \$2.90, \$2.953 and its high of \$3.017. More distant resistance is seen at \$3.084 and \$3.152.

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.