



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 14, 2009**

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#### **NATURAL GAS MARKET NEWS**

The National Hurricane Center this morning noted that the remnants of Hurricane Fred were some 900 miles west of the Cape Verde Islands. While high wind shear values will continue to prevent this system from re-developing over the next day or two as the system moves west northwestward it could begin to move into a more favorable area for development by the middle of the week. The Canadian and NOGAPS computer models in fact do predict some regeneration but given the dry air surrounding the system and in front of the system all the other models guidance has the system remaining simply a remnant low pressure system. Forecasters were also watching an area of convection near the Yucatan Peninsula. The Canadian forecast model warns of some development in the next 36 hours as it tracks toward Mobile, Alabama on Wednesday. But other models do not even show a low pressure system forming.

ConocoPhillips has filed an application with the FERC for formal approval to export up to 500 bcf of natural gas over the next two years on a spot or short-term basis from its Freeport LNG terminal in Texas. The LNG exported from the facility would be from foreign sourced gas in storage at the facility.

The Canadian press reported that a part of the TransCanada's natural gas pipeline in northeastern Ontario exploded Sunday.

The United States Natural Gas Fund, an exchange traded fund in the natural gas market, said late Friday it would resume issuing new shares late this month. In its filing, the company

#### **Generator Problems**

**NPCC** – OPG's 490 Mw Unit #6 at the coal fired Nanticoke power plant was shut today, while a sister units #2 and #8 exited their outages.

Constellation Energy's 610 Mw Ginna nuclear unit. The unit had been at full power at the end of last week and was being reduced going into a scheduled refueling outage.

**SERC** – TVA's 1105 Mw Browns Ferry #3 nuclear unit was shut on Saturday, September 12<sup>th</sup> for repairs to fix a hydrogen leak.

**MISO** – Xcel Energy shut its 551 Mw Prairie Island #1 nuclear unit for a scheduled refueling outage.

FPL's 615 Mw Duane Arnold nuclear unit was at 88% power this morning, up 16% from Friday.

Exelon's 912 Mw Quad Cities #1 nuclear unit has reconnected to the grid and was back to full power.

Exelon's 1128 Mw Byron #1 nuclear unit was offline this morning. The unit had been at full power on Friday. The unit was expected to begin refueling this week.

**PJM** – Exelon's 1134 Mw Limerick #1 nuclear unit was back at full power this morning, up 20% from Friday.

Exelon's 1140 Mw Peach Bottom #3 nuclear unit was off line early this morning off 88% from this past Friday. The unit was scheduled for a refueling outage to begin this week.

**WSCC** – Energy Northwest's 1150 Mw Columbia nuclear unit was back to full power. The unit, which had been restarted on September 1st, was at 85% power on Friday.

Southern California Edison's 1172 Mw San Onofre #2 nuclear unit was forced off line on Sunday due to a loss on condenser vacuum led to a turbine trip.

**The NRC reported this morning that 88,442 Mw nuclear generation capacity was on line, down 2.6% from Friday and off 5.2% from the same time a year ago.**

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said it would resume offerings of creation baskets of 100,000 units. The company noted that the units were trading at a premium to its net asset value.

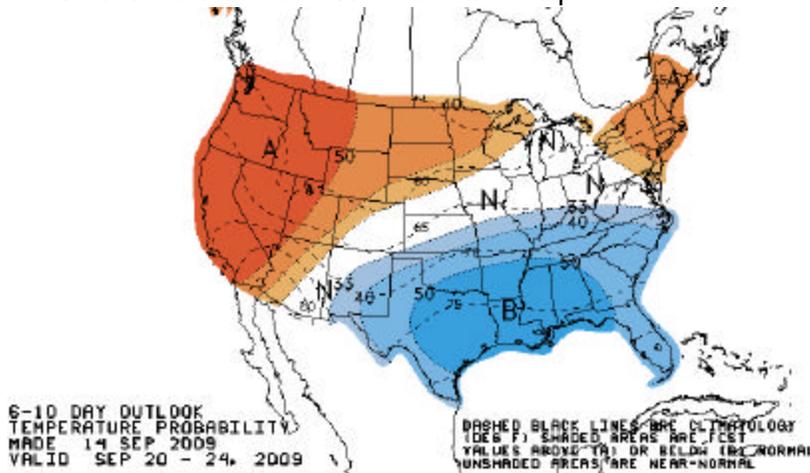
ExxonMobil Gas & Power Marketing and Hess Corp have filed a protest with the FERC over a proposal by Sea Robin Pipeline Company to collect a surcharge for extensive damages it incurred during Hurricane Ike last year and to install a mechanism to regularly institute surcharges for costs to repair damage from disasters beyond amounts covered by insurance.

The Florida governor's office has come out in support of the proposed Port Dolphin Energy LLC deepwater LNG port project, since it would offer the state's gas customers another source of supply.

Enbridge announced a binding open season for the Tecumseh gas seasonal storage capacity. The binding open season is for service totaling maximum of about 2 bcf of storage capacity with a minimum four year contract of maximum daily injection withdrawal capacity of 106,000 gj/day.

Reuters reported that the LNG tanker Ramdane Abane is expected to off load at the Isle of Grain terminal on September 16<sup>th</sup>, while the BW GDF Suez Brussels LNG tanker has been confirmed to arrive on September 17<sup>th</sup>.

KOGAS reported that its South Korean LNG inventories rose 41% at the end of July from a year ago. But stocks were some 12% lower than the prior month.



Russian and Turkmen leaders failed on Sunday to reach an agreement on setting a time frame for the return of Turkmen gas flows to Russia. The flows had been halted since April following a pipeline blast. Relations between the two countries have been strained in the past several months following Turkmenistan accusing Russia of suspending gas imports because Gazprom faced reduced demand in Europe. The Turkmenistan government is facing the loss of \$1 billion per month with the suspension of gas exports.

Chevron and its partners gave final formal approval as expected to the \$37 billion Gorgon LNG project in Australia. The project is expected to begin commercial operations in 2014 and will have the potential to deliver 8% of the world's LNG when completed.

Eni has started production from the Blacktip gas field in offshore Australia. The production of the field is slated to supply the Northern Territory's Power Water Corporation power utility for the next 25 years.

### **PIPELINE RESTRICTIONS**

Over the weekend CIG cancelled the force majeure at the Elk Basin Compressor Station that had been in place since August 24<sup>th</sup> for repair work to correct a compressor piston problem.

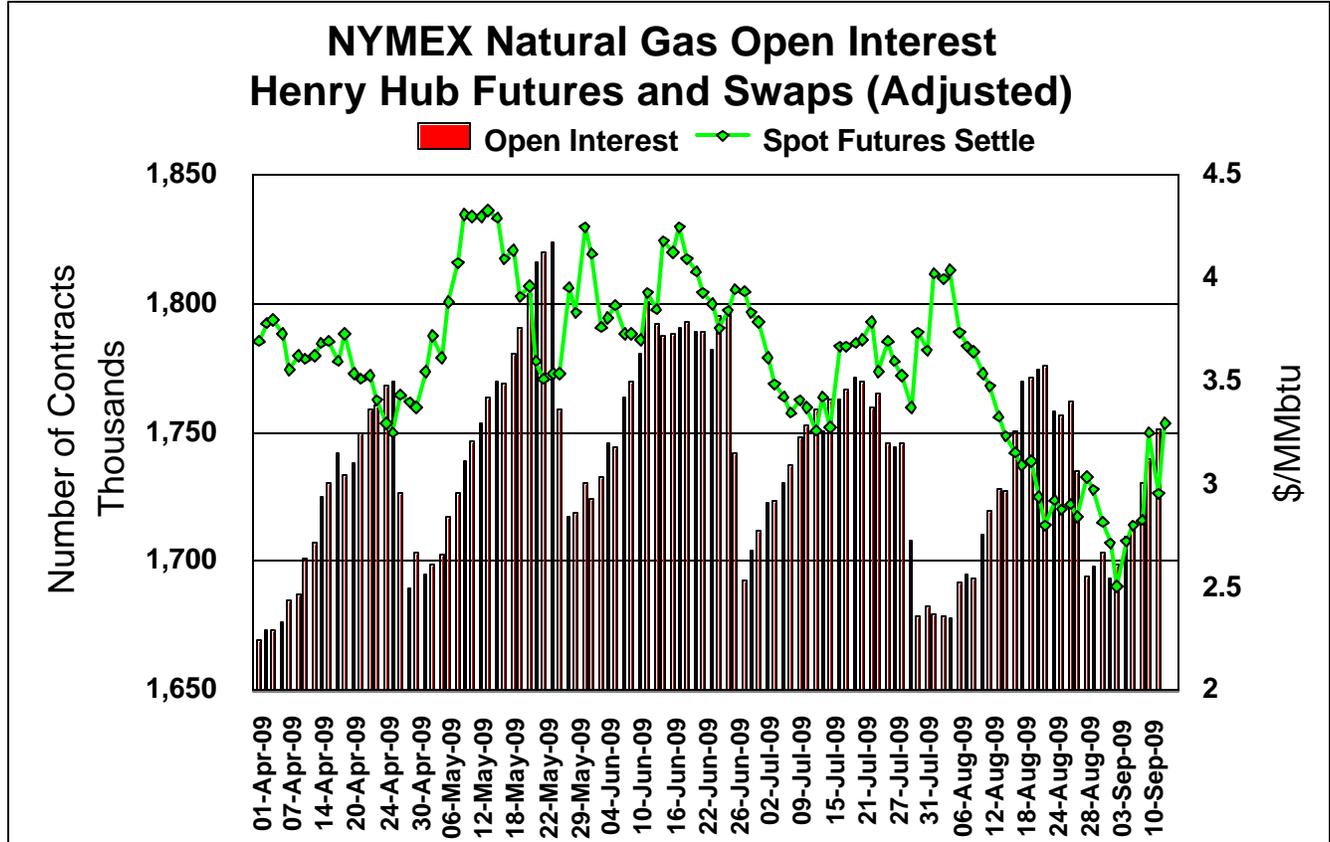
### **PIPELINE MAINTENANCE**

Alliance Pipeline said inspections and maintenance will require the AB21 Teepee Creek Lateral meter and compressor station to be unavailable for five days beginning September 14<sup>th</sup>. Station capacity will be reduced to zero during the outage.

## ELECTRICITY NEWS

Genscape reported that U.S. power output in the week ending September 10<sup>th</sup> fell 5.4% from the prior week and stood some 8.7% less than a year ago.

The FERC in its annual report on demand response and advanced metering, confirmed earlier estimates that 7.95 million advanced meters should be installed nationwide by the end of 2009. The FERC estimates that demand response could cut peak demand by 20% by 2019.



## MARKET COMMENTARY

The natural gas posted an outside trading session today. While early this morning natural gas prices were floating near levels where they finished last week, pressured in part to lower oil prices and lower equity markets, the bulls came running back into the markets as the floor session kicked off and it appears hedge funds systems kicked on. Within two hours the October natural gas market had rallied 40 cents. Part of this rallied appeared to be fueled by the significantly lower nuclear generation levels to start the week as seasonal refueling outages began to take hold. But the bulls also seem to find comfort in the news that the major natural gas ETF, the United States Natural Gas Fund, announced it would once again begin to offer shares in its ETF. Meanwhile shorts may have been spooked by the news of an advisory issued by the CME on Friday that it would standardize rules between the CME and NYMEX and will strictly enforce existing position limits. But based on the open interest reports from the NYMEX in recent days it appears new longs continue to come into this market, at least last week.

While the bullish fever may last for another day or two we still look for the significant storage overhang to weigh on this market by the latter part of this month, especially with little tropical threats. As a result we look to be a scale up seller of the October natural gas versus a buyer of the January contract between a premium of \$1.95-\$1.90 in the January contract. Flat price resistance we see in the October contract tomorrow at \$3.43 followed by \$3.478 and \$3.652. More distant resistance we see at \$3.954. Support we see at \$3.046, \$3.01-\$2.988, \$2.924 and \$2.802. Additional support we see at \$2.73 and \$2.55.

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