



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 25, 2009**

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

According to the U.S. National Hurricane Center, within the next 24 hours, a tropical depression could form west of the Cape Verde Islands in the eastern Atlantic Ocean. Shower activity has become better organized and The NHC said there is a high chance that the system would become a tropical cyclone during the next 48 hours.

US Natural Gas Fund's chief investment officer said the fund's premium will fall when new shares go on sale September 28<sup>th</sup> for the first time since early July. The lack of new shares pushed the \$4 billion fund to trade at a premium to its natural gas assets. Limits on energy speculation forced the fund to suspend share creation because it could no longer expand its fuel holdings on the main markets for energy trading.

#### **Generator Problems**

**MAPP** – Nebraska Public Power District's 791 Mw cooper nuclear station was at 89% early Sept. 25, down from 90% Thursday. Unconfirmed reports have the plant scheduled for planned refueling a maintenance work Sept. 26.

**SERC** – TVA's 1,105 Mw Unit 3 at Browns Ferry nuclear power station in AL was at 100% capacity early Friday. The unit was at full power on Wednesday.

Entergy Corp's 995 Mw Arkansas nuclear 2 power unit was a 1% early Friday as it began to exit a recent outage.

**WSCC** – AES's 480 Mw Unit 8 at Redondo Beach returned to service by late Thursday. The gas-fired power station was shut for nearly a week.

**NPCC** - OPG's 490 Mw Unit 2 Nanticoke coal-fired power station returned to service by early Friday after a three – day outage.

**The NRC reported this morning that 84,188 Mw of nuclear generation capacity was on line, down 1.03% from yesterday and off 2.48% from the same time a year ago.**

The U.S. natural gas drilling rig count was up 5 on the week, climbing to 710. This is the ninth gain in 10 weeks, however it is down sharply since peaking above 1,600 in September of last year. Current standings are set at 849 rigs, or 54 percent below that of last year. Tighter access to credit and a 70 percent decrease in natural gas prices since last summer forced many producers to cut back on drilling operations.

The Pennsylvania Department of Environmental Protection on Friday ordered Cabot Oil & Gas to stop using hydraulic fracturing on its natural gas shale wells in Susquehanna County until it completed a number of important engineering and safety tasks. The order requires Cabot to develop an updated and accurate pollution prevention and contingency plan within 14 days for all permitted well pad sites in the county. The company must also conduct an engineering study of all equipment and work practices associated with hydraulic fracturing at all well sites in the county with 21 days.

In an effort to lure partners for the development of its Arctic gas fields, Russian Prime Minister, Vladimir Putin told a group of international executives that Russia is considering offering tax breaks to interested parties. Putin added that partners must be "stable and long-term." Gazprom's chief

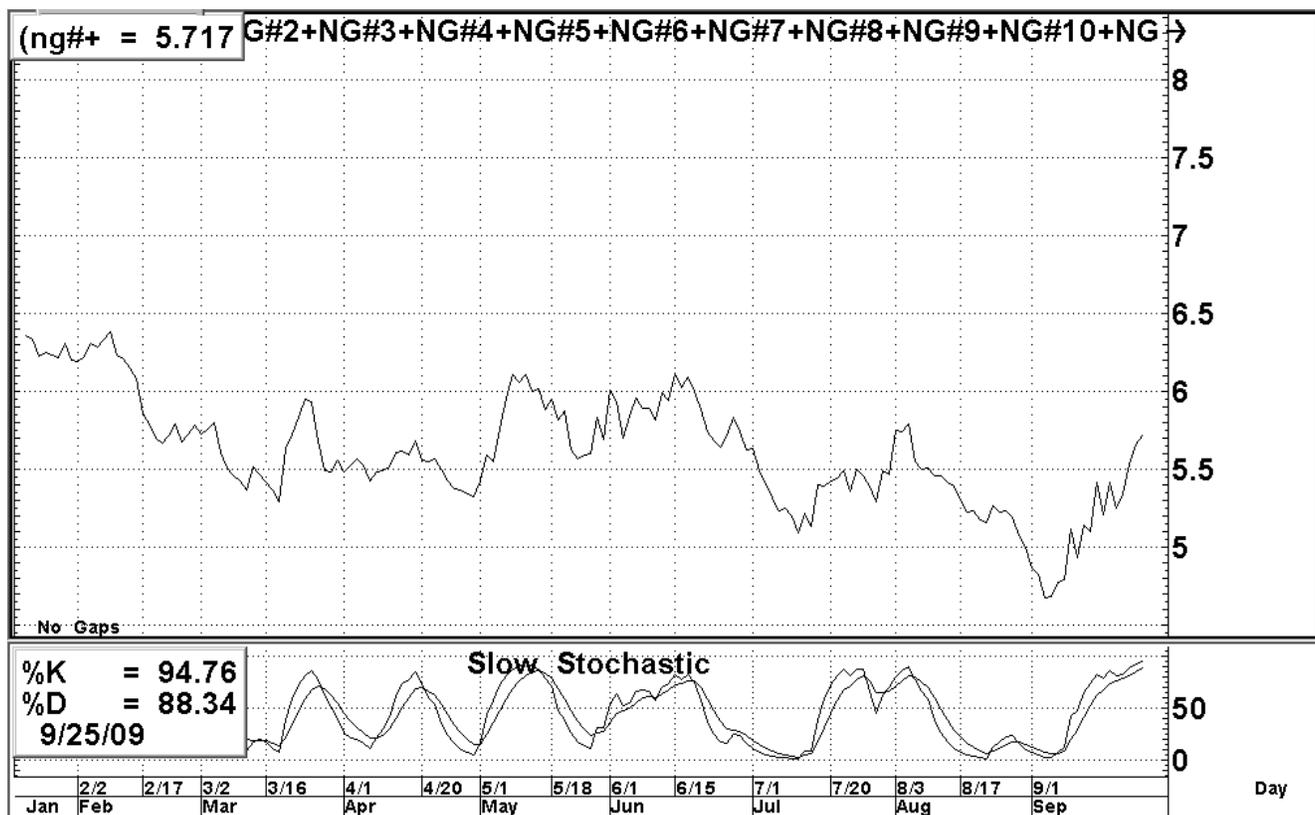
executive, Alexei Miller, called for a zero extraction tax on mineral deposits in Yamal a request called for by many. Gazprom rates Yamal's total gas field reserves at 16 trillion cubic meters and is believed to be able to boost Russia's share of the worldwide LNG market to 20%.

The 1 BCF/d Canaport LNG terminal officially started operations on Thursday, giving Spain's Repsol YPF greater access to US and Canadian natural gas markets.

The FERC has issued a favorable environmental review of Algonquin Gas Transmission's downsized Hub Line E2W project, which would increase the east to west capacity on the pipeline system in New England to accommodate LNG supplies imported from deepwater ports.

**PIPELINE MAINTENANCE**

Rockies Express Pipeline Co has completed the maintenance at the Lost Creek Booster Station ahead of schedule. It will be able to schedule nominations up to full capacity for the gas day Friday, September 25<sup>th</sup>.



**PIPELINE RESTRICTIONS**

Southern Natural Gas Co is implementing an operational flow order, Type 6, for long imbalances on Southern's contiguous pipeline system effective for the start of the gas day, September 26<sup>th</sup> and until further notice based on historically high storage inventory levels and projected high injection requirements.

**ELECTRICITY NEWS**

According to the EIA, US coal production totaled about 20.8 million tons in the week ending September 18<sup>th</sup>, unchanged on the week and down 8.3% on the year.

**MARKET COMMENTARY**

The natural gas market continued to march higher again today and finish the week at levels not seen in the October contract since early August. Today's option expiration could have been a target for the bulls as the \$4.00 strike level had over 25,000 calls still open coming into this morning in the October contract. In addition with the approach of Monday's futures contract expiration, more and more shorts were also forced to exit their positions in front of the weekend when margin increases on the contract would be assessed. The 12 month strip price has also seen its value post a near uninterrupted gain for the last month, but we would look for this to begin to find resistance next week as it runs up against previous summer highs and technical indicators that appear for it to be overbought.

This afternoon's Commitment of Traders Report showed that through Tuesday, open interest in the options and futures on a combined basis declined over 33,500 lots. The changes in positions though were interesting. The Producer/Merchant sector actually increased their net position in the market by 1782 lots on the short side. While swap dealers remain net long this market, they decreased their net length on the week by 8100 lots. The big swing though came in the managed money sector which decreased their total position in the natural gas futures and options market by over 37,000 lots with short covering accounting for 75% of their reduction in positions.

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