



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 9, 2009**

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

While the tropical Atlantic remains very quiet, forecasters were noting the current temperature pattern in the United States is more similar to mid November than mid-October. While significant and record breaking cold temperatures and snows have swept across the Rockies and the Upper Plains, a more prolific snowstorm is becoming more likely across interior New England late this week into the weekend as a Nor'easter lifts northward along the Northeast seaboard, according to forecasters at AccuWeather and Planalytics. NOAA estimated today that nationwide, gas home heating customer-weighted demand would average 83 HDD some 28% colder than normal and 93% higher than the same week a year ago.

Southern Star Central Gas Pipeline announced today in a news release that it is seeking to expand its firm storage service at the Elk City Gas Storage Field near Independence, Kansas. by 4,000,000 Dth, in capacity and 40,000 Dth/d in daily deliverability.

Gazprom said it may produce 450-490 billion cubic meters of gas this year and 520 bcm in 2010. In 2008 the company produced 550 bcm.

Royal Dutch Shell said today it plans to start production from its proposed Prelude floating LNG plant by 2016. The facility located offshore of Western Australia has an estimated operational life of 25 years. The company would make the final investment decision on the project by 2011. The plant would have a 3.6 million tonne per year capacity of LNG as well as 1.3 million tonnes of condensate and 400,000 tonnes of LPG.

#### **Generator Problems**

**MISO** – Exelon's 1152 Mw Braidwood #2 nuclear unit was shut early Monday. The unit had been at 97% power on Friday.

Exelon's 1128 Mw Byron #1 nuclear unit has returned production to 96%, up 52% from Friday.

NextEra Energy's 615 Mw Duane Arnold nuclear unit was restarted and at 57% capacity this morning.

**RFC-** FirstEnergy's 846 Mw Beaver Valley #2 nuclear unit was shut early Monday. The unit had been at full power on Friday.

**NPCC** – Constellation Energy's 621 Mw Nine Mile Point nuclear power station ramped back to full power Monday up from 43% power on Friday.

**SPP & ERCOT-** NRG Energy's 836 Mw Limestone #1 coal fired power station was shut yesterday for repairs.

The 1166 Mw Wolf Creek nuclear unit was shut for maintenance on Saturday for a planned maintenance and refueling outage.

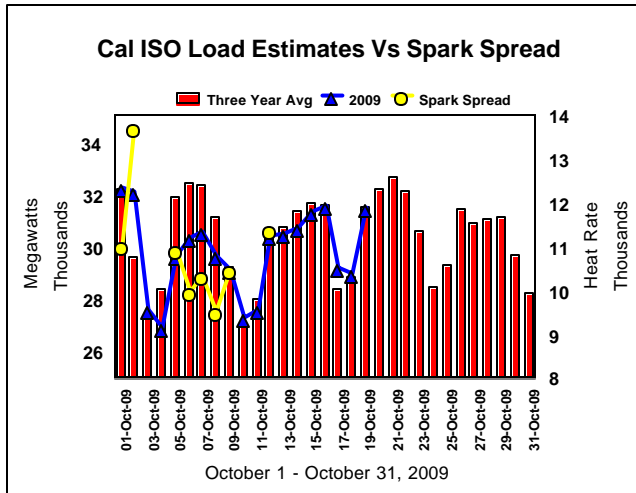
**WSCC** – PG&E's Helms hydropower station in California was taken off line for unplanned maintenance on Saturday maintenance

**SERC** – Duke Energy's 846 Mw Oconee #1 nuclear unit was shut Monday morning. It was believed the unit entered a planned seven-week maintenance period.

Duke Energy's 1100 Mw McGuire #2 nuclear unit exited its refueling outage and was back up to 52% power by Monday morning. The unit had been off line since September 8<sup>th</sup>.

SCANA's 966 Mw Summer nuclear unit started to exit its outage and ramped up to 3% power this morning. The unit has been off line since October 2<sup>nd</sup>. The unit though is believed to be scheduled for a refueling and maintenance outage that was slated to begin October 16<sup>th</sup>.

Port authorities said that the Al Gharrafa LNG tanker was scheduled to berth at the South Hook terminal on October 16<sup>th</sup>. Meanwhile National Grid reported that two LNG cargoes had arrived at the Isle of Grain facility, one on Friday and one on Monday.



Total SA said it is still interested in the Pars LNG export plant in Iran, despite the rising political tensions between Iran and the West .

**PIPELINE MAINTENANCE**

Transco reported that maintenance at its HI 154, planned for October 12<sup>th</sup> has been postponed due to inclement weather and will now take place on October 15<sup>th</sup>. During the work approximately 50 MMcf of flow rate will be cut from upstream producers. The work is expected to take 10 hours.

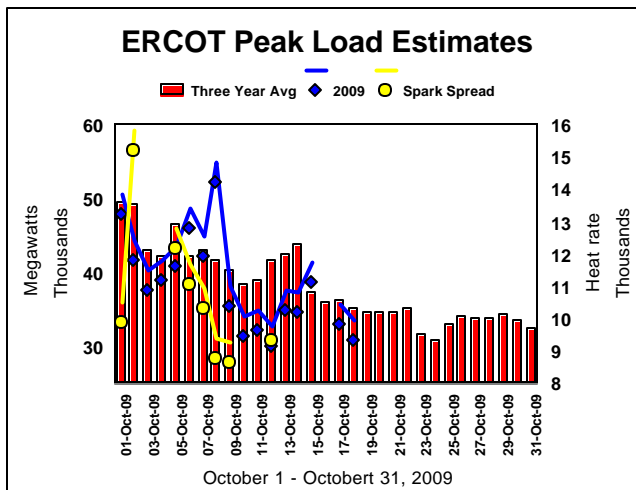
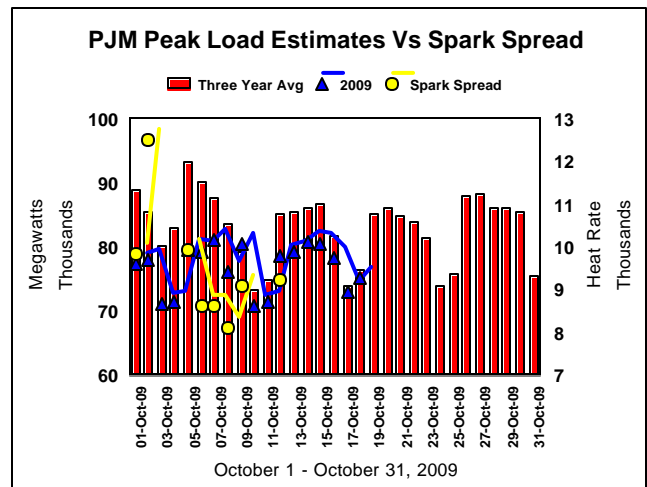
Gulf South Pipeline has rescheduled its storage inventory verification test at the Bistineau storage facility to October 13<sup>th</sup> from today. During the work physical injections and withdrawals at the facility will not be available.

NGPL said due to the level of nominations, it does not anticipate a scheduling reduction in shipper nominations through Segment 25 to result from October 12<sup>th</sup> maintenance on the electrical feed to Station 302/

**ELECTRIC MARKET NEWS**

Genscape reported that U.S. power output for the week ending October 8<sup>h</sup> fell 2% from the week before and was down 5.6% from the same week a year ago.

The Mexican government said today that would start to liquidate Luz y Fuerza del Centro after the government found that the company's finances at the nation's second largest power supplier were "unsustainable" amid mounting losses.



BPA said the Pacific DC Intertie would be shut in both directions for 12 days beginning October 12, 2009.

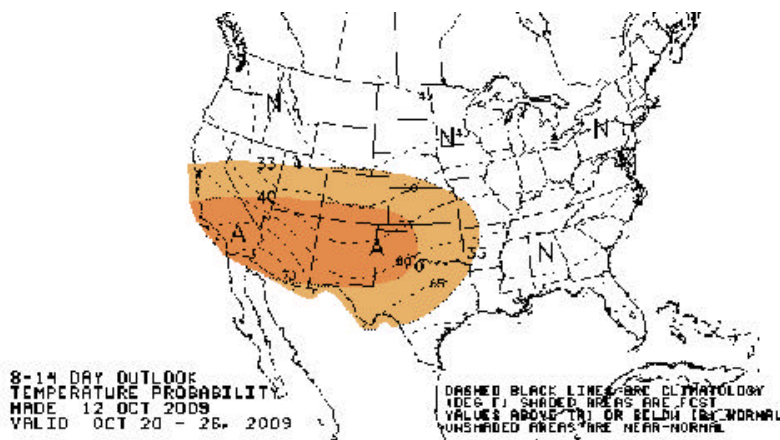
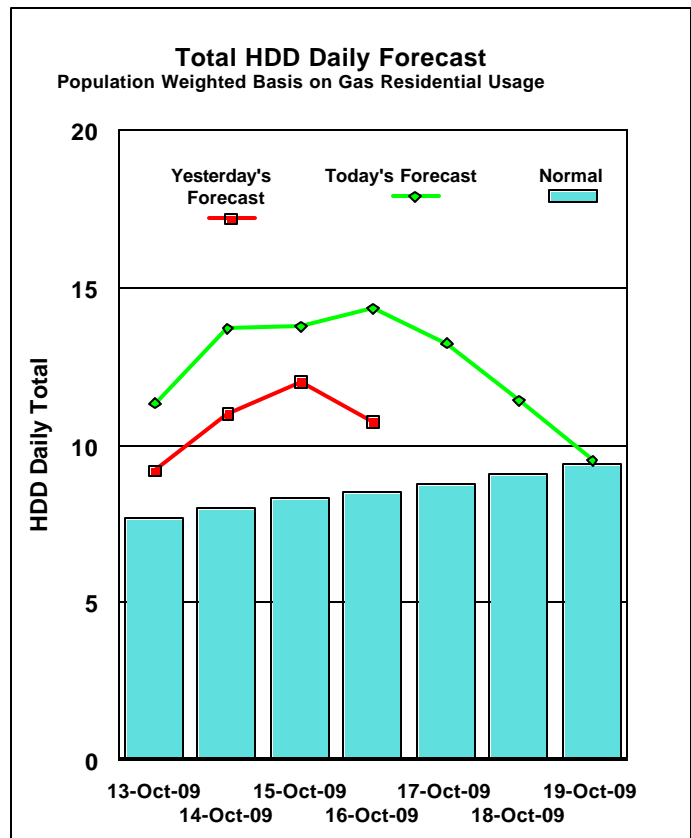
Blue Source and Goldman Sachs announced they have inked a \$12 million carbon offset deal in the United States, the largest recorded to date. The deal involves offsets originating from Blue Source's portfolio of U.S. based emission reduction projects including forestry, landfall gas and coal mine methane. The companies declined to disclose how many credits were sold or the prices obtained for each type of offset. Goldman marketed the credits for Blue Source, which was then sold to CE2

Carbon Capital, one of the largest investors and owners of carbon commodities and carbon emission reduction projects in the U.S.

| Natural Gas Cash Market  |            |         |         |                  |         |             |
|--------------------------|------------|---------|---------|------------------|---------|-------------|
| ICE Next Day Cash Market |            |         |         |                  |         |             |
|                          | Volume     | Avg     | Change  | Basis            | Change  | Basis 5-Day |
| Location                 | Traded     | Price   |         | (As of 12:30 PM) |         | Moving Avg  |
| Henry Hub                | 1,028,000  | \$3.959 | \$0.036 | (\$0.941)        | \$0.087 | (\$0.980)   |
| Chicago City Gate        | 1,106,500  | \$4.412 | \$0.152 | (\$0.489)        | \$0.132 | (\$0.749)   |
| NGPL- TX/OK              | 1,080,100  | \$3.880 | \$0.039 | (\$1.020)        | \$0.019 | (\$1.158)   |
| SoCal                    | 232,200    | \$4.108 | \$0.114 | (\$0.792)        | \$0.093 | (\$0.954)   |
| PG&E Citygate            | 406,200    | \$5.057 | \$0.330 | \$0.157          | \$0.310 | (\$0.214)   |
| Dominion-South           | 314,300    | \$4.213 | \$0.176 | (\$0.687)        | \$0.156 | (\$0.926)   |
| USTrade Weighted         | 22,480,700 | \$4.105 | \$0.107 | (\$0.795)        | \$0.09  | (\$0.980)   |

### MARKET COMMENTARY

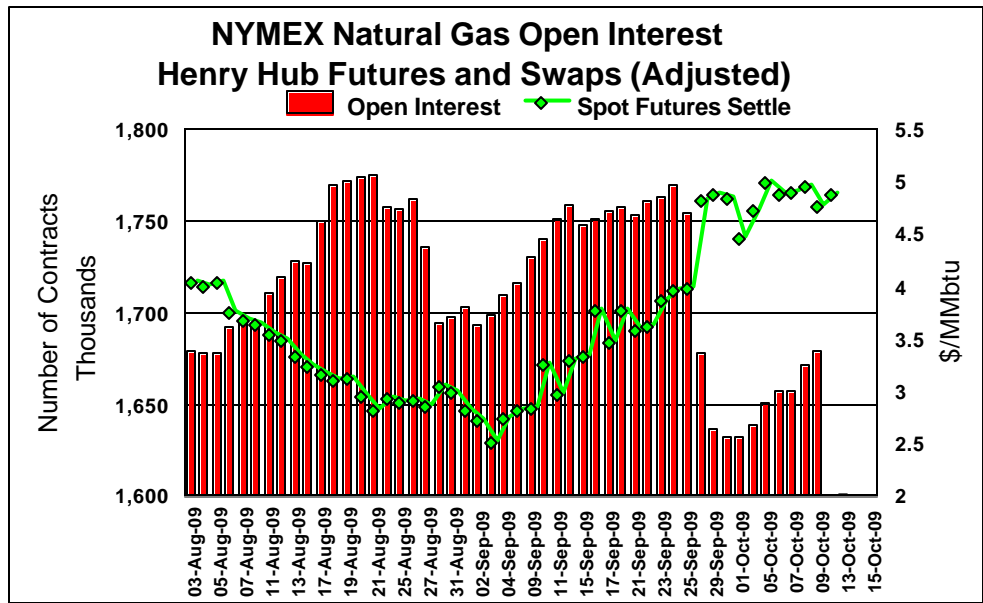
While the arrival of colder than normal temperatures throughout the northern half of the country along with a forecast for these conditions to exist for another next 7-14 days helped market finish higher today. But despite a forecast of even colder temperatures near term than was expected just late last week coupled with a substantially higher oil market and a lower dollar, the natural gas market failed to translate these events into even bigger gains. Part of the brakes on this market came from the midday forecast change. While last night the 6-10 day and 8-14 day forecasts were looking for the eastern half of the nation to see below to much normal temperatures, by this afternoon these forecast models had completely flipped and now were looking for normal to above normal temperatures for much of the nation. As a result of no clear direction the market posted an inside trading session to start the week and this could signal the potential for a volatile trading session tomorrow as some North American traders returned from the Columbus Day and Canadian Thanksgiving holiday.



While we remain bearish on this market by expiration we would still not jump to add to short positions established previously with put spreads. Fundamentally we feel that this market will not turn to the downside in a sustained fashion until nuclear generation levels begin to rebound. This coupled with the very low level of confidence that the NOAA was applying to both the 6-10 and 8-14 day temperature forecasts does not make us rush to embrace near term breakout to the downside for this market since

the forecast could just as easily flip once again. We see resistance at \$4.96-\$4.97 followed by 5.12, \$5.368 and \$5.469. Support we see at \$4.78-\$4.75 followed by \$4.652, \$4.498, \$4.306 and \$4.113.

Open interest reported at midday showed the sixth consecutive gain in open interest in the Henry Hub futures and swaps. On a combined and adjusted basis this open interest level has gained over 47,000 lots since the start of the month. This appears to have been a tremendous number of new longs that may not have the staying power if prices break to the downside.



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