



## ***ENERGY RISK MANAGEMENT***

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

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

While no immediate threats of tropical system were noted this morning by the National Hurricane Center, weather forecasters were watching a tropical wave that was interacting with a cold front in the western Caribbean Sea that was triggering thunderstorms and could show signs of some development and have a better chance of becoming an organized system over the next couple of days.

The National Weather Service reported today that for the week ending October 17<sup>th</sup>, the nation experienced 95 heating degree days on a gas home heating customer weighted basis. This was 82% higher than a year ago and some 46% higher than normal for the week. For the current week the NWS is forecasting just 72 HDD some 18% less than normal and 11% less than a year ago. So far this heating season heating demand has been 17% colder than average and 127% colder than a year ago.

Private weather forecasting group, Commodity Weather Group released their updated winter forecast today. The bullish weather forecast called for this winter potentially to be the coldest of the decade nationally. Their confidence in their forecast increased by 5% and now they place a 60% probability. The group is estimating the November to march period seeing heating demand to be 11.2% colder than the 30-year normal and nearly 9% colder than last year. The group noted that given this year being a weak El Nino winter, the majority of these winters typically see a colder than normal winter in the eastern part of North America. The also noted the low level of solar activity this year coupled with early snow pack

#### **Generator Problems**

**NPCC** – OPG's 490 Mw Lambton coal fired Unit #1 and Unit #2 were shut Monday. The company also reported that its 490 Mw Unit #2 at the Nanticoke coal fired power plant was shut for maintenance.

**MISO** – Exelon's LaSalle #2 nuclear unit returned to full power today.

**SERC** – Southern's 1152 Mw Vogtle #1 nuclear power station in Georgia exited its refueling outage and was up to 28% power Monday morning. The unit has been off line since September 21<sup>st</sup>.

**WSCC** – PG&E's 1118 Mw Unit #1 at the Diablo Canyon nuclear power plant returned to full power by early Monday, up from just 50% power on Friday.

**SPP & ERCOT**- Entergy's 967 Mw River Bend nuclear unit exited its refueling and maintenance outage and ramped up to 23% power early Monday. The unit had been off line since September 21<sup>st</sup>.

Luminant was expected to restart its 565 Mw coal fired Monticello power plant Monday morning. The unit was shut over the weekend to fix a couple of fuel mill dampers.

AEP's 675 Mw Pirkey coal fired power plant reportedly took the unit down for maintenance work on its boiler. The unit was scheduled to be off line from October 17<sup>th</sup> through December 21<sup>st</sup>.

AEP's 528 Mw Unit #3 at the Welsh coal fired power plant has been off line since October 15<sup>th</sup>. The unit is now expected back in service after October 26<sup>th</sup>.

Luminant's Unit #3 at the Monticello coal fired power plant which was powered down on Saturday was ramping the unit back up today and was expected to be back to full power by Tuesday morning.

**The NRC reported this morning that total U.S. nuclear generation stood at 74,513 Mw up 0.6% from yesterday and down 6.5% from a year ago.**

in the northern hemisphere as also supporting their forecast. The group noted the current pattern points to more extended and intense cold periods than seen the last several winters. If this winter does indeed reach the “coldest-of-decade status, then it will also be colder than any winter in the 1990’s or the mid-to-late 1980’s as well on a national basis.

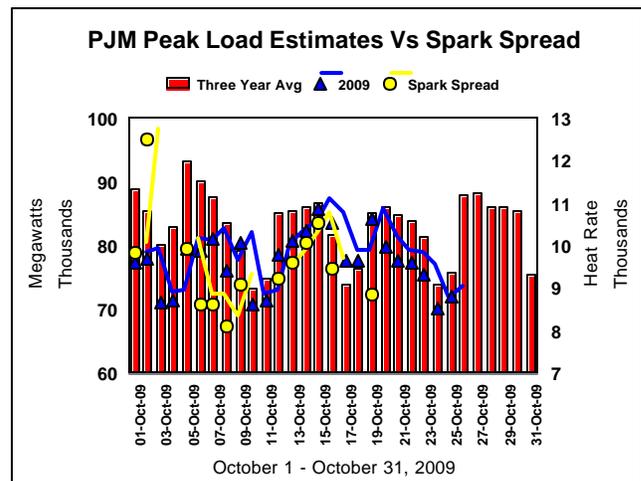
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,127,300	\$4.220	\$0.277	(\$0.672)	\$0.023	(\$0.385)
Chicago City Gate	984,600	\$4.683	\$0.044	(\$0.209)	(\$0.128)	(\$0.005)
NGPL- TX/OK	916,800	\$4.201	\$0.248	(\$0.691)	\$0.075	(\$0.644)
SoCal	538,900	\$4.444	\$0.328	(\$0.448)	\$0.156	(\$0.418)
PG&E Citygate	759,800	\$5.238	\$0.009	\$0.346	(\$0.163)	\$0.538
Dominion-South	347,700	\$4.603	\$0.093	(\$0.289)	(\$0.079)	(\$0.154)
UTrade Weighted	21,580,500	\$4.426	\$0.195	(\$0.466)	\$0.02	(\$0.385)

A spokesman for Repsol Energy North America said its Canaport LNG import terminal could send out 600 MMcf/d next year. The terminal is expected to

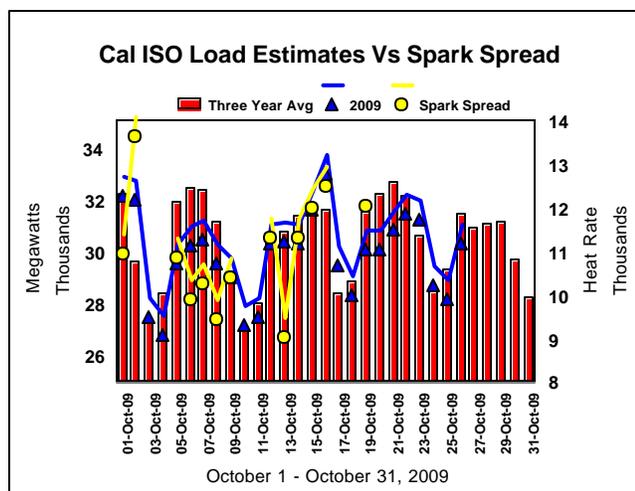
receive a LNG tanker from Trinidad on October 22<sup>nd</sup>. Since the terminal began operations in June it has received about two cargoes per month sourced from Trinidad and Egypt.

The Maritimes U.S. and Canadian pipelines said today that the Sable Offshore Energy natural gas production off the coast of Nova Scotia was running at reduced rates. ExxonMobil operator of the field had no comment on the website postings. The project typically produces between 400-500 million cf/d of natural gas and 20,000 barrels per day of NGL’s.

The FERC Friday approved a request by Spectra Energy’s Tetco Pipeline to place into service its Northern Bridge facilities to deliver Rocky Mountain natural gas to the Mid-Atlantic and New England markets. It also approved Vector Pipeline’s request to place into service its Athens Compressor Expansion Project.



Cabot Oil & Gas said it had resumed hydraulic fracturing operations in Susquehanna County, Pennsylvania on Friday after the state’s Department of Environmental Protection said the company had complied with its September 24<sup>th</sup> review order.



The company noted that while location building, drilling and pipeline work were not impacted, the fracing delay pushed back some completions. Currently Cabot has ten horizontal and nine vertical wells in the queue to be completed. The company said it expects to frac one horizontal well per week for the remainder of the year.

Exxon-Mobil has revised its estimated cost of its LNG project in Papua New Guinea by about 15% to \$15 billion.

Operators reported no pipeline or gas field problems despite flows into Britain via the Langed pipeline remaining low and irregular on

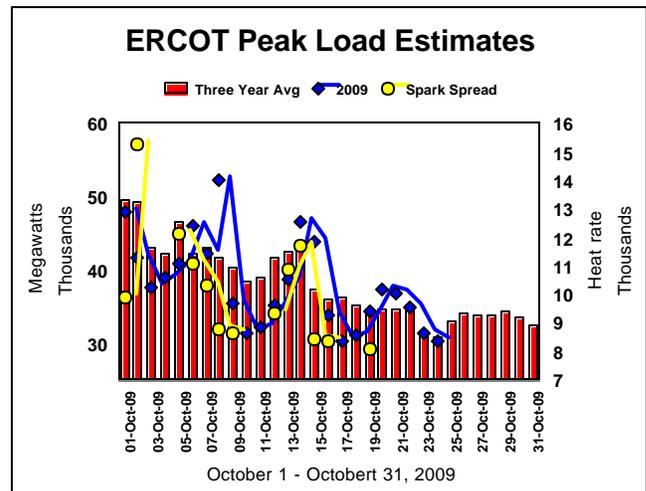
Monday. Gas flows via Langed have fluctuated between 32-50 mcm during Monday.

BG Group's Seri Alam LNG tanker was expected to arrive at the Dragon import terminal on October 24<sup>th</sup>. Meanwhile the Berge Arzew LNG tanker was scheduled to arrive at the Isle of Grain import terminal on October 21<sup>st</sup>.

The Russian Foreign Minister said today that Russia can guarantee uninterrupted natural gas supplies to Europe and will solve gas transit problems by taking into account the interests of all parties.

Iran says it has suspended talks with OMV AG, the Austrian company on the South pars project after the company said it would invest only in Iran if the international political environment and commercial conditions were right.

Italy's Adriatic LNG terminal has had four cargoes arrive since the end of August, the terminal's manger reported today. The manager said he expected the terminal to be working at full capacity by the end of the year.



The Emir of Qatar said today that natural gas projects in Qatar have not suffered from the economic crisis. He noted that there have been signs of improvement in the world economy, and that the worst of the crisis may be over.

The CFTC said today that it would release more than three years of disaggregated historical data from its weekly Commitment of Traders reports on Tuesday. The CFTC said the data will cover the 22 commodity futures markets currently contained in its expanded COT reports.

### **PIPELINE MAINTENANCE**

Gulf South Pipeline said that the planned meter maintenance at Carthage Junction Facilities is progressing as planned and the company will be scheduling gas for the timely cycle, gas day October 20<sup>th</sup> for customers utilizing the facility. The work began on October 17<sup>th</sup>.

MEP said it would be performing meter station piping modifications at the Columbia Gulf Perryville Interconnect. The location will be unavailable for nominations of flow for the duration of the project.

### **PIPELINE RESTRICTION**

The Rockies Express Pipeline has received approval from regulators to operate REX East at a 0.8 design factor raising the pipeline capacity from 1600 MDth/d to 1800 MDth/d Starting October 20<sup>th</sup>. This move is applicable for the portion of REX East that spans from Audrain County, Missouri to the Hamilton Compressor Station.

Tennessee Gas Pipeline said it has restricted through approximately 64% of market to supply secondary out of path nominations pathed through MLV 230B Niagara Spur Backhaul. The company said it will not accept any nominations for interruptible storage injection services across the system. The company also said it will not accept transfers into interruptible storage-pooling accounts at Bear Creek Storage or into interruptible storage management service accounts at Northern Storage.

Trailblazer Pipeline said that beginning October 17<sup>th</sup> and continuing until further notice it is at capacity for gas going eastbound through Compressor Station 602. Interruptible transportation

service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.

NGPL said it was required to operate at a reduced capacity for gas flowing west on Segment 15 through Station 801 beginning October 17<sup>th</sup> and continuing until further notice. The company reported last week that it had discovered a pipeline anomaly on the A/G Line in Segment 15 near Station 801.

### **ELECTRIC MARKET NEWS**

Genscape reported this morning that U.S. power output in the week ending October 15<sup>th</sup> fell 7.1% from the week before and was down 5.1% from the same week of 2008.

### **MARKET COMMENTARY**

While temperatures are expected to moderate this week, the outlook for below normal temperatures returning in the 8-14 day forecast coupled with a release on yet another private weather forecasting service's colder than normal outlook seemed to keep the bulls in control of this market and allowed this market to settle higher for the third consecutive session. But today's higher settlement came on relatively light volume with the November contract posting its lightest volume day since the quasi Columbus Day holiday.

Technically this market though posted a positive note as it traded above Friday's high as well as breaking above and settling above the past two week downward trend line. The daily stochastics also crossed back to the upside for the first time in seven trading sessions. While we remain longer term bearish we feel that this market can still post some more gains to the upside and would not recommend thinking of buying put spreads until this market reaches back to the \$5.10-\$5.20 area. Additional resistance we see at \$5.466, \$5.51-\$5.52. Support we see at \$4.70 followed by \$4.636, \$4.56, \$4.455 and \$4.355.