



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 6, 2009

#### NATURAL GAS MARKET NEWS

The National Hurricane Center this afternoon continued to watch Tropical Depression Ida. The storm through the day has moved slowly but by the afternoon had moved back over the waters of the Caribbean and as a result forecasters were looking for the system to re-intensify but to what degree was the big question. The forecast models now look for the storm to pass over or just to the east of the Yucatan Peninsula in a couple of days. After the storm enters the Gulf of Mexico, weakening is expected to take place due to wind shear and cooler waters of the central Gulf of Mexico. The forecast path of the storm remains complicated. While estimates were for this storm to move ashore somewhere on the Florida coast from north of Tampa to the Florida panhandle, by this afternoon that path was a bit more of a question.

#### Generator Problems

**NPCC** – The Indian Point #2 nuclear unit ramped up to 52% Friday morning. This was 38% higher than yesterday's levels.

**PJM** – FirstEnergy's 1231 Mw Perry nuclear unit was at 97% power this morning up 20% from yesterday.

**MISO** – NPPD's 791 Mw Cooper nuclear unit was at 13% power early Friday up 12% from Thursday as operators attempt to ramp up the unit and reconnect it to the grid after its refueling outage that began back on September 26<sup>th</sup>.

**SERC** – Southern's reduced the 883 Mw Hatch Unit #2 nuclear unit to 62% Friday morning, down from full power on Thursday.

Southern's 900 Mw Farley #2 nuclear unit was shut down this morning. The unit had been at full power on Thursday. No reason was given for the outage.

**The NRC reported this morning that total U.S. nuclear generation stood at 75265 Mw up 0.5% from yesterday and down 5.7% from a year ago.**

The FERC announced that for the second time in six weeks it has delayed issuing its final decision on

| 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                | 853,100       | \$3.945   | (\$0.351) | (\$0.644)              | (\$0.251) | (\$0.474)              |
| Chicago City Gate        | 1,028,700     | \$3.967   | (\$0.424) | (\$0.622)              | (\$0.266) | (\$0.381)              |
| NGPL- TX/OK              | 660,700       | \$3.831   | (\$0.363) | (\$0.759)              | (\$0.205) | (\$0.588)              |
| SoCal                    | 216,200       | \$3.845   | (\$0.387) | (\$0.744)              | (\$0.229) | (\$0.465)              |
| PG&E Citygate            | 484,400       | \$4.219   | (\$0.560) | (\$0.370)              | (\$0.402) | (\$0.093)              |
| Dominion-South           | 330,600       | \$4.134   | (\$0.440) | (\$0.455)              | (\$0.282) | (\$0.233)              |
| USTRade Weighted         | 19,671,100    | \$3.888   | (\$0.409) | (\$0.701)              | (\$0.25)  | (\$0.474)              |

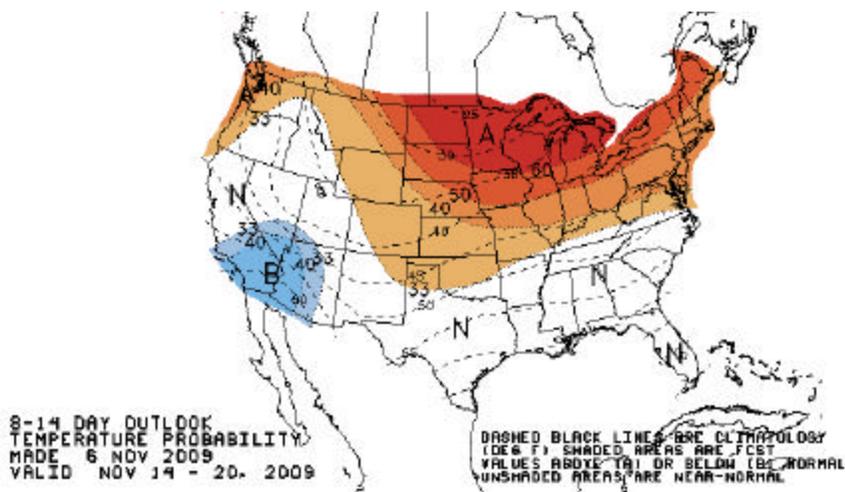
El Paso's proposed Ruby Pipeline. It now expects to announce its final decision in the second quarter of next year.

Baker Hughes reported that for the current week the number of

natural gas drill rigs operating in the United States stood at 734 rigs, up six on the week. This was the highest total since the beginning of May.

The CEO of Spectra Energy said his company expects to invest \$1 billion per year over the next two years as it seeks to expand its pipeline capacity. It sees further capacity additions in the Northeast,

especially the Marcellus Shale Basin. It also sees expansion in western Canada especially around the Fort Nelson region.



The U.S. Department Of Labor reported this morning that U.S. employers cut a deeper than expected 190,000 jobs in October, pushing the unemployment rate to 10.2%, the highest level in 26 ½ years. But upon closer examination the Department of Labor revised the job losses over September and August to being much less than previous reported, or on a combined basis 91,000 jobs less. Thus given an expectation for today's job loss of just 175,000

jobs the net effect was actually better than the market had been anticipating. The manufacturing sector though continued to shoulder large percentage of these cuts, falling by 61,000 jobs on the month.

The Ukrainian Prime Minister said the Ukraine has paid Russia for October gas supplies on time.

### **PIPELINE MAINTENANCE**

Panhandle Pipeline said that meter maintenance beginning November 18<sup>th</sup> will result in an outage at the Phillips Cimarron Interconnect for three days.

Northern Natural Gas has revised the start date to reduce pressure on the M580A line to 100 psig from November 9<sup>th</sup> to November 12<sup>th</sup>. Zones ABC, D, EF and KN Milligan will be affected by the reduction. The maintenance may also impact capacities for the Oakland and Palmyra North nomination groups.

CGT reported that due to an unplanned outage of Kettleman compressor K-3, the Baja Path would be reduced on November 6<sup>th</sup>. The duration of the outage is not known at this time.

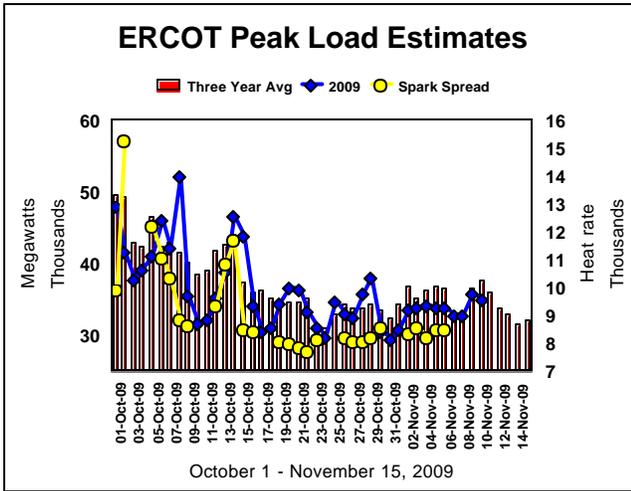
### **PIPELINE RESTRICTIONS**

Trailblazer Pipeline said it was lifting the force majeure it had posted on November 4<sup>th</sup> at Compressor Station 602 in Lincoln County, Nebraska. Repairs have been completed and the station was back to full service.

MEP said that effective for November 6<sup>th</sup> and continuing until further notice Destin Clarke would not be available for deliveries due to current pipeline conditions.

Southern Natural Gas said that based on the current weather forecasts it expects storage requirements to be within firm injection entitlements.





Tennessee said that effective for November 6<sup>th</sup> it had restricted Leidy Meters through approximately 21% of supply to market secondary out of path nominations. The company also said it would not accept any nominations for interruptible storage injection services across the system.

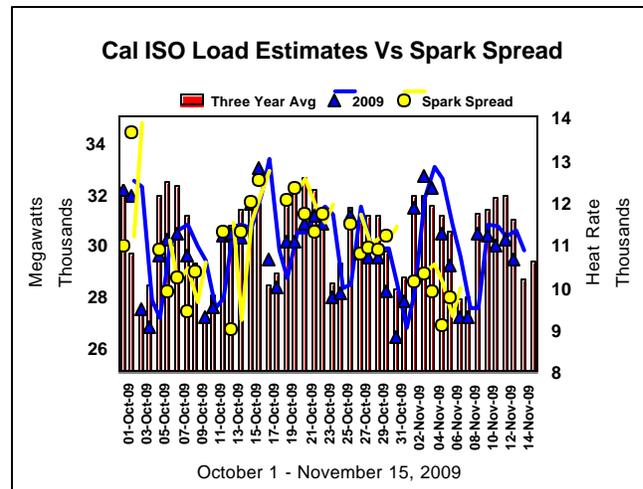
Kinder Morgan said Thursday that effective immediately and until further notice it is at capacity for received quantities from Burlington Resources Lost Cabin. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

**ELECTRIC MARKET NEWS**

The EIA reported late yesterday that U.S. coal production reached 20.168 million tons for the week ending October 30<sup>th</sup>, down 1.8% from the prior week and was some 12% less than the same week a year ago. Year to date production of coal in the U.S. is running 7% less than a year ago.

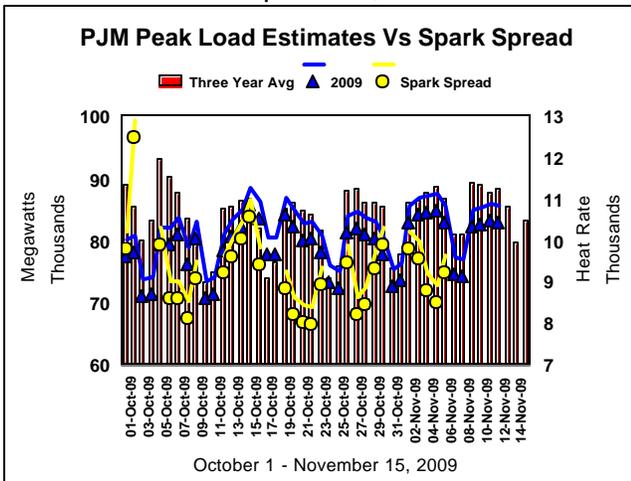
FirstEnergy said it has received NRC renewal for its Beaver Valley #1 and #2 nuclear units for another 20 years. The units will now operate until 2036 and 2047.

ERCOT reported in its monthly status report that generation interconnection requests continued to fall in ERCOT in September, after a sizeable drops in July and August.



ERCOT was tracking 79,085 Mw of generation requests, a decrease of 4589 Mw from August and down nearly 18,000 Mw from June. As of September 30<sup>th</sup>, ERCOT was tracking 44,601 Mw of generation interconnection requests for wind generation, 18,154 Mw for gas generation and 6670 Mw for coal requests.

Genscape reported that U.S. coal consumption during the past week rose 3% from the previous week on higher power demand and nuclear plant outages but was 1% below the same week a year ago.



**MARKET COMMENTARY**

The natural gas market continued to trend lower within its recent downward trending channel amid mild weather forecasts and signs of continued economic weakness. The market retraced some of its previous losses in overnight trading and rallied to a high of \$4.827. The market however failed to sustain its gains above its resistance line at \$4.783 and erased its gains. The market sold off to a low of \$4.555 amid the sharp losses in the oil complex in light of the unemployment report showing an unemployment rate of 10.2% in October. The market

later bounced off its low and settled in a sideways trading pattern ahead of the close. It settled down 18.7 cents at \$4.595.

The natural gas market will likely continue to trade lower amid the lack of supportive fundamentals. Weather forecasts are calling for moderate temperatures in the major gas-consuming regions over the next two weeks. The market is seen finding resistance at \$4.65 followed by its resistance line at \$4.683. More distant resistance is seen at \$4.763, \$4.931 and \$5.035. Support is seen at \$4.59, \$4.555 followed by \$4.491, \$4.387 and \$4.219.

The Commitment of Traders' disaggregated combined futures and option report for the week ending November 3<sup>d</sup> showed that producers/merchants continued to cut their net short position by 5,957 contracts to 7,282 contracts while swap dealers cut their net long position by 5,764 contracts to 40,322 contracts on the week. Meanwhile, managed money funds cut their net short position by 2,394 contracts to 37,367 contracts while other reportables also cut their net short position by 3,195 contracts to 25,694 contracts.

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