



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 16, 2009

#### NATURAL GAS MARKET NEWS

The Climate prediction Center estimated that for the week ending November 7<sup>th</sup> the U.S. saw 104 HDD on a gas home heating weighted basis. This was 5.5% less than normal but 44% colder than a year ago. For the current week ending November 14<sup>th</sup>, the agency expects only 91 HDD, some 28.3% less than normal.

Two LNG tankers, the Neo Energy and the Al Sahla arrived over the weekend at the Dragon LNG and Isle of Grain receiving terminals. The Al Sheehaniya is scheduled to arrive at the South Hook terminal today, with one more tanker scheduled at the South Hook terminal by the end of the week. The Al Thakhira LNG is scheduled to arrive at Belgium's Zeebrugge terminal on November 19<sup>th</sup>.

The tropical Atlantic basin remains very quiet as environmental conditions

#### Generator Problems

**NPCC** – Dominion's 882 Mw Millstone #2 nuclear unit was in hot standby mode on Sunday as operators prepared to restart the unit which has been off line since October 7<sup>th</sup> for a refueling outage.

NYPA said as expected one of its four 264 Mw units at the Gilboa pumped storage power station returned to service late last week. Two other units are expected back later this month. The plants have been off line since September.

OPG's Nanticoke #1 coal fired unit returned to service.

**PJM** – PSEG Nuclear's 1100 Mw Salem #2 nuclear unit was at 99% power this morning, up 16% from Friday's operating levels.

**MISO** – NPPD's 791 Mw Cooper nuclear unit was at 90% power this morning up 30% from Sunday.

**SERC** – Southern's 883 Mw Hatch #2 nuclear unit returned to full power over the weekend. The unit had been at 73% power on Friday.

Progress Energy's 900 Mw Harris nuclear unit was shut early Monday. The unit had been at full power on Friday. The unit was taken down to fix a main generator oil leak.

**ERCOT** – AEP's 528 Mw Welsh #2 coal fired power plant was expected to enter maintenance for this week.

**WSCC** – PG&E's 1118 Mw Diablo Canyon #2 nuclear unit was back to full power this morning up from 73% power recorded on Friday. Unit #1 though was at 92% power off 8% from yesterday

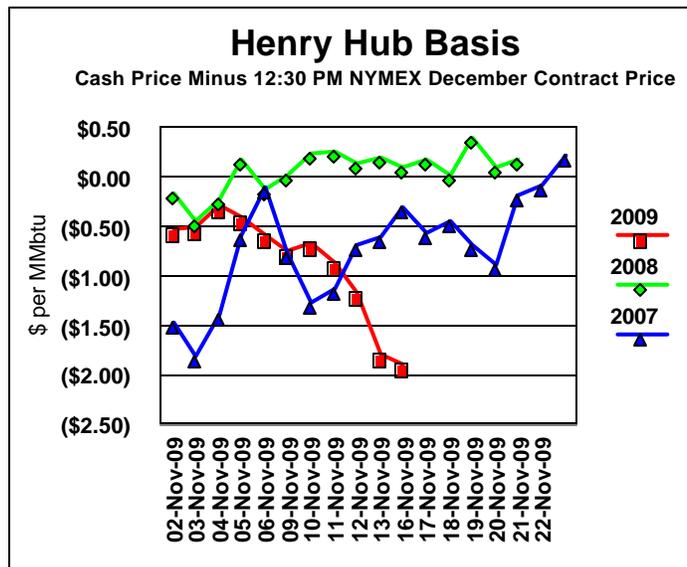
Energy Northwest's 1131 Mw Columbia nuclear unit ramped up to 84% power on Monday, up from 20% power recorded on Friday.

**The NRC reported today that 79,682 Mw of nuclear generation was on line this morning, up 0.7% from yesterday, but some 6% less than the same time a year ago.**

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,345,800	\$2.645	\$0.131	(\$1.955)	\$0.098	(\$1.299)
Chicago City Gate	838,700	\$2.828	\$0.381	(\$1.772)	\$0.145	(\$1.304)
NGPL- TX/OK	845,500	\$2.734	\$0.360	(\$1.867)	\$0.124	(\$1.443)
SoCal	639,500	\$2.928	\$0.246	(\$1.672)	\$0.010	(\$1.253)
PG&E Citygate	624,700	\$3.628	\$0.404	(\$0.972)	\$0.168	(\$0.573)
Dominion-South	326,800	\$2.887	\$0.514	(\$1.713)	\$0.278	(\$1.251)
<b>UTrade Weighted</b>	<b>20,951,700</b>	<b>\$2.830</b>	<b>\$0.334</b>	<b>(\$1.770)</b>	<b>\$0.10</b>	<b>(\$1.299)</b>

currently are very hostile for development and as a result there are no expectations for any tropical cyclone development for at least the next week if not through the end of the month. The Atlantic hurricane season officially ends on November 30<sup>th</sup>.

South Korea's imports of LNG rose in October on a year on year basis, due to improved utility demand. Customs data showed the country imported 2.48 million tones in October up 37% from a year ago. The price of the LNG averaged at \$8.82 Mmbtu up from \$8.40 recorded last month.



The Russian Energy Minister said today that Russia and the Ukraine are negotiating a new agreement that could potentially provide for Russian participation in the reconstruction of the Ukraine's natural gas pipeline network. Negotiations have been ongoing since April. Meanwhile the European Union and Russia on Monday agreed to an "early warning" mechanism to help shield Europe from energy supply cuts. The agreement requires both sides to notify the other of any likely disruption to supplies of oil, natural gas or electricity and to work together to resolve the problem.

Reuters reported that according to the latest filings on Form Y-9C (Consolidated Financial Statements for Bank Holding Companies) both Goldman Sachs and Morgan Stanley reduced

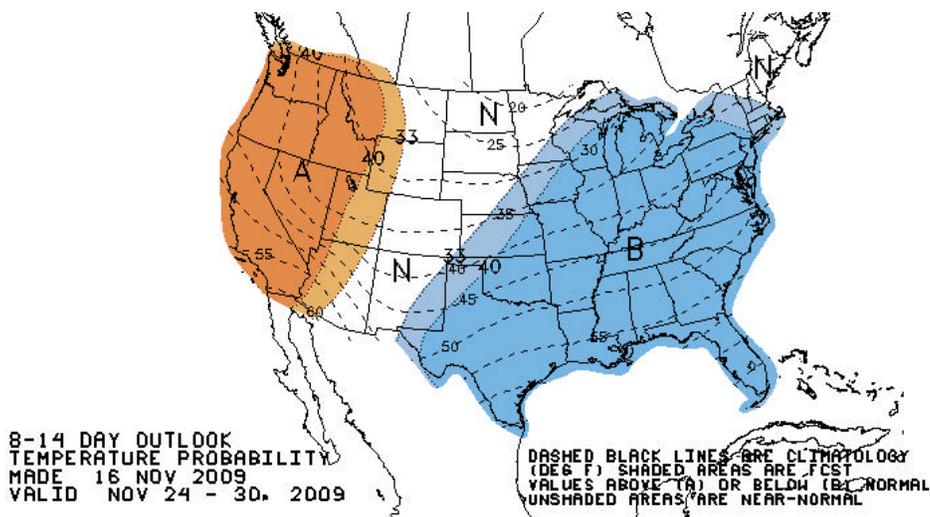
the size of their commodity trading books during the third quarter. Most of the shrinkage came from smaller positions in exchange traded futures contracts as well as a reduction in OTC options and swaps. But the gross notional value of forwards was little changed.

**PIPELINE RESTRICTIONS**

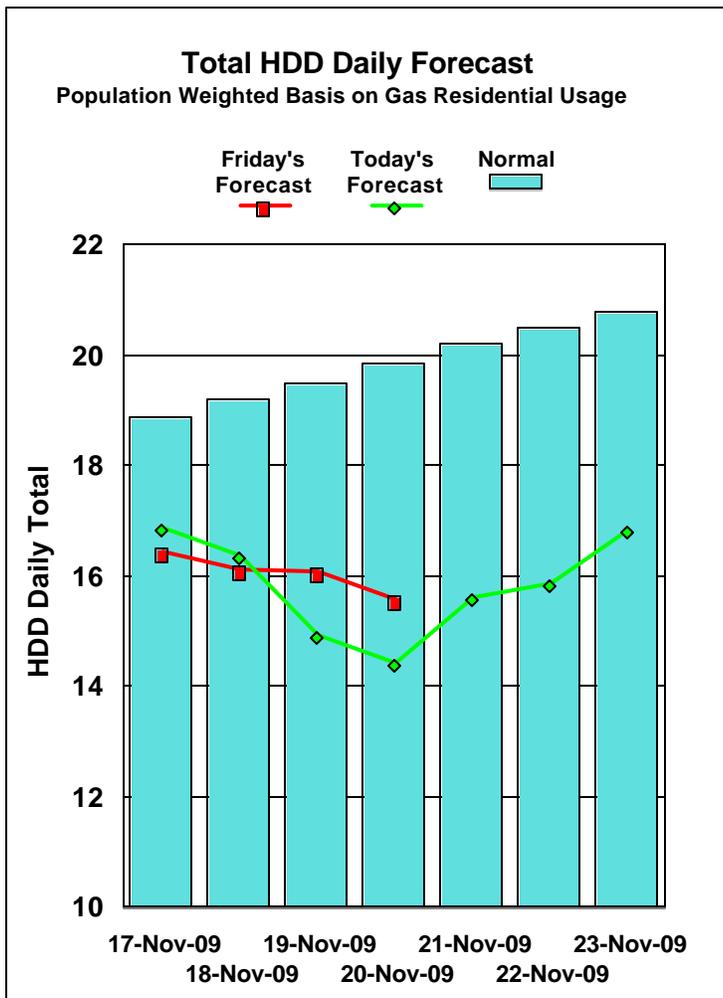
The Rockies Express Pipeline issued a force majeure on November 14<sup>th</sup> for its system east of the Chandlersville Compressor Station. Authorized overrun/interruptible transportation, secondary and primary firm transportation quantities are being impacted.

**ELECTRIC MARKET NEWS**

U.S. Senators Lamar Alexander and Jim Webb introduced legislation today that would provide \$100 billion in loan guarantees for carbon free electricity projects, primarily nuclear power adding to the existing \$47 billion loan guarantee program. The legislation could help double nuclear power generation in 20 years. The legislation would also provide \$750 million annually for 10 years to



research and development of carbon capture and storage, advanced biofuels, batteries for electric cars, solar power and recycling used nuclear fuel.

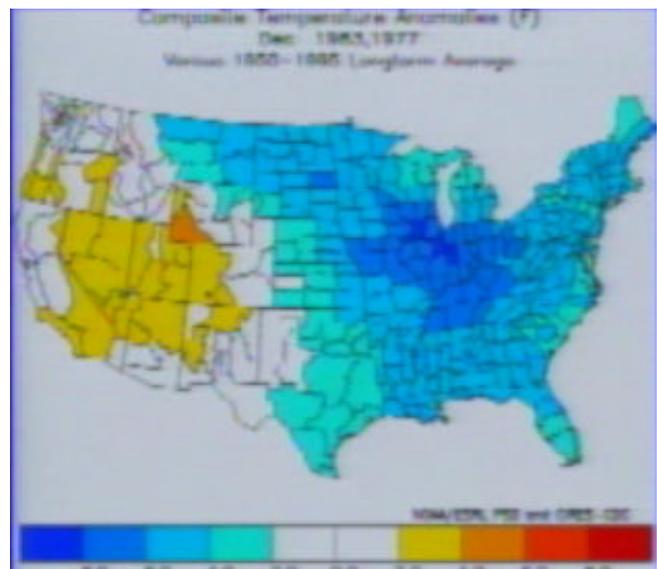
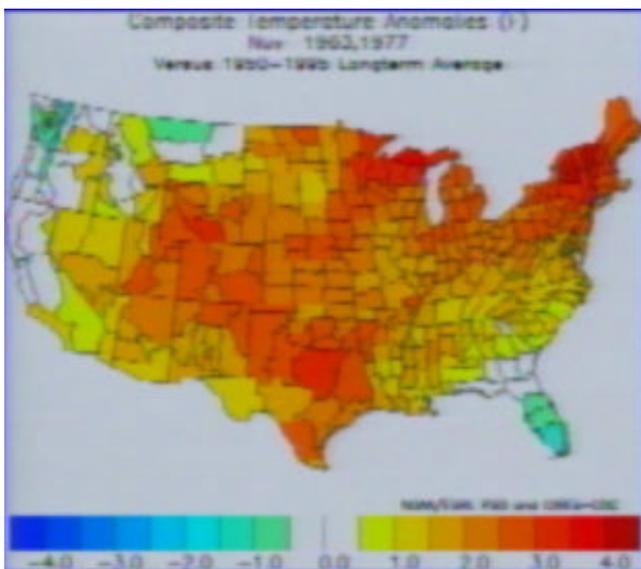


Genscape reported this morning that it estimated U.S electrical output for the week ending November 12<sup>th</sup> fell 0.9% from the prior week and was down 2% from the same week a year ago.

It appears that the nearly dozen commenter's weighing in on FirstEnergy's proposed solution for the "conflicting tariffs" it anticipates when it moves its transmission assets of its American Transmission Systems subsidiary from the Midwest ISO to the PJM Interconnection, only the PJM appears to support the plan. The FirstEnergy's request is that customers of its subsidiary the ATSI zone not be held responsible for the costs related to any regional transmission projects planned and approved by PJM before the move is implemented is reasonable because it "narrowly targeted to the unique circumstances and avoids broader issues of coast allocation of regional projects in PJM or regional rate design." Opponents note that FirstEnergy's move of its transmission assets from MISO to PJM is a voluntary move, and thus the company should be not allowed to disrupt PJM's cost allocation methodology simply to solve a problem of its own making. FirstEnergy this past

summer asked the FERC to approve key elements of its proposed two step process for migrating ATSI to PJM from MISO. The company had determined that ATSI had stronger electrical ties with PJM.

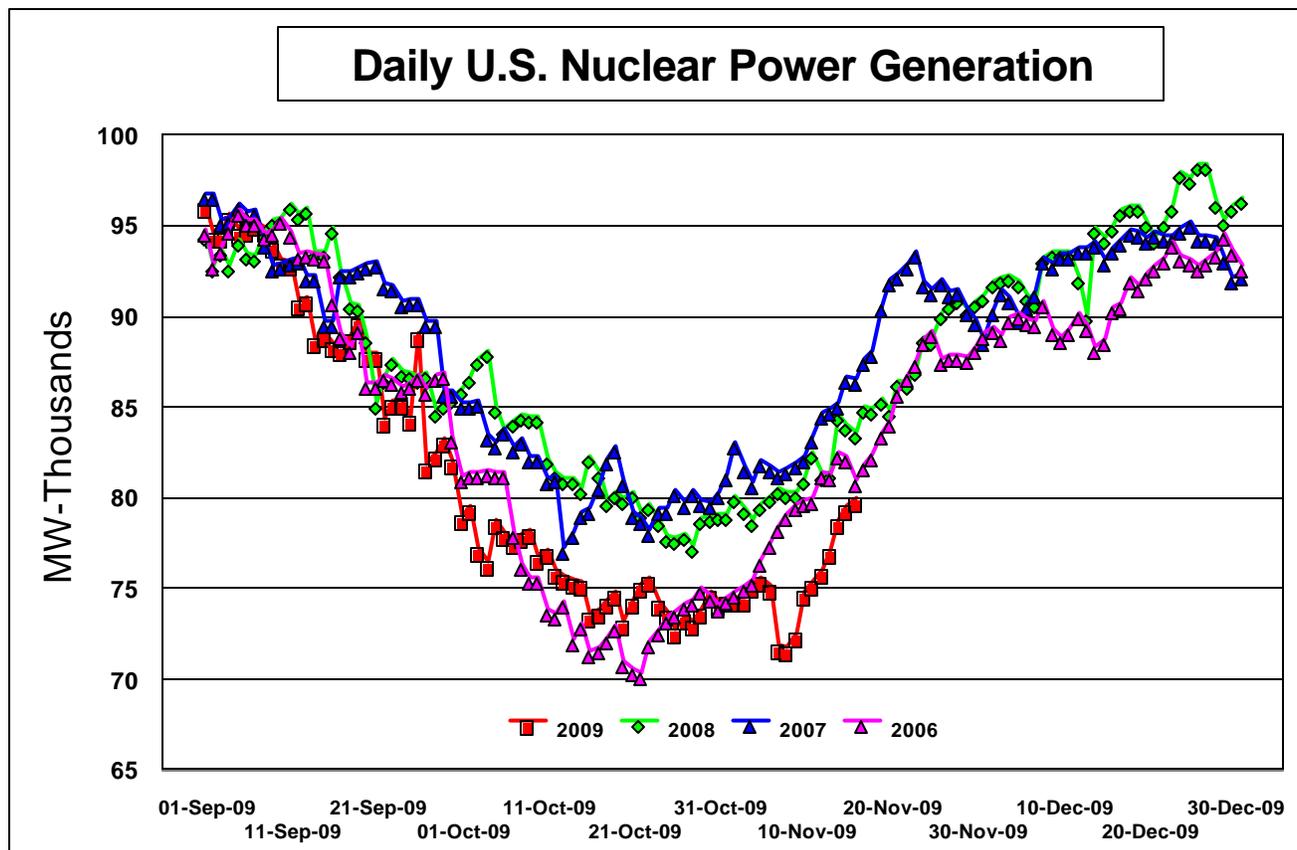
A Pennsylvania administrative law judge has recommend the state regulators approve a plan for PPL Electric Utilities to build a 500 Kv transmission line through the northeastern part of the state. The Susquehanna-Roseland line is designed to help prevent overloads and possible blackouts in the area.



The line could be operational by mid-2012.

### **MARKET COMMENTARY**

The key to this market remains the weather forecasts. Traders arriving at their office this morning were met with bullish long-range forecasts. While temperatures were seen remaining warmer than normal for the upcoming week, and keeping the cash market restrained, weather models for the 8-14 and 11-15 day forecasts show that colder than normal temperatures may finally return to the eastern half of the nation. The forecasting models led by the GFS appeared to be in very good agreement that the trough over the continental United States will finally begin to shift eastward and with this shift bring below normal temperatures to the central and eastern U.S. This shift first appeared Sunday night in the



NWS long term forecast release and continued into today.. Private weather forecaster Accuweather today noted that based on its forecasting pattern it sees December setting up to be colder than normal for much of the United States, especially after December 10<sup>th</sup>. They noted that the similar pattern of a warm November for much of the nation in the El Nino years of 1963 and 1977 were followed by a colder than normal December for much of the nation.

To compound the bullish optimism of the longer-term weather forecasts, the natural gas market also received a boost today by the bullish fever running through basically all the physical commodity markets given the erosion of the U.S. dollar once again. As a result the December natural gas contract was able to settle up over 22 cents, the largest daily gain in the spot contract since October 20<sup>th</sup>.

Without a major shift back towards a bearish scenario tomorrow this market could very well post this week as long overdue technical correction of the past month long bearish sell off. We would look for resistance tomorrow to \$4.66, \$4.72, and \$4.825. More significant resistance we see at \$4.937, \$5.138 \$5.339 and \$5.458-\$5.473. While we have been bearish on this market but missed this past month's sell off we would not rush to be a seller of this market until price values approach the \$5.00 level once again. Support we see at \$4.45 followed by \$4.287, \$4.241, \$4.207\$3.996 and \$3.863.

*Please note that the NWS is scheduled to release their 30 day and 90 day updated forecasts on the afternoon of November 19<sup>th</sup>.*

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