



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 17, 2009

#### NATURAL GAS MARKET NEWS

Reuters reported that two LNG cargoes are expected to arrive at the Elba Island LNG terminal from Egypt on November 26<sup>th</sup> and December 5<sup>th</sup>.

Nexen said today that it expects to boost production from its shale gas properties at least tenfold in the next two years. It aims to produce 150 million to 200 million cf/d from its Horn River, British Columbia acreage by September 2011, up from just 15 million cf/d today. A year ago production from this area was just 2 MMcf/d. The company said the wells in the region break even with gas prices between \$5-\$6 Mcf.

Bloomberg reported that Arthur Berman, an energy consultant that previously worked for Amoco Corp for over 20 years, has continued to claim that U.S. shale producers have been overestimating production projections for shale gas in the U.S. He in a recent column has warned that these production estimates are at least double from what drill results justify, as he believes wells decline at a much higher rate than operators think they will. Critics though claim that the consultant does not have a background in unconventional gas projects to validate his assertions.

The FERC said it would take comments until December 14<sup>th</sup> on Southern Star Central Gas Pipeline's proposed storage expansion of 4 Bcf for its Elk City Storage Field.

#### Generator Problems

**NPCC** – OPG's 535 Mw Unit #4 at the Lennox oil and natural gas fired power plant was shut early Tuesday.

OPG's 490 Mw Unit #5 at the Nanticoke coal fired power plant was shut for short-term maintenance on Tuesday.

Bruce Power's 822 Mw Bruce #6 nuclear unit in Ontario was shut on Sunday due to a surplus of base load generation in the province. No restart date was provided.

Entergy's 620 Mw Vermont Yankee nuclear power station this morning was reduced from full power yesterday to 54% capacity today for a planned quarterly rod pattern adjustment.

**MISO** - NPDD said its 791 Mw Cooper nuclear unit was at full power this morning up 10% from yesterday.

**WSCC** – Energy Northwest's 1150 Mw Columbia nuclear generating station was back at full power this morning, up 16% from yesterday.

**The NRC reported today that 78,756 Mw of nuclear generation was on line this morning, down 1.2% from yesterday, and some 6.9% less than the same time a year ago.**

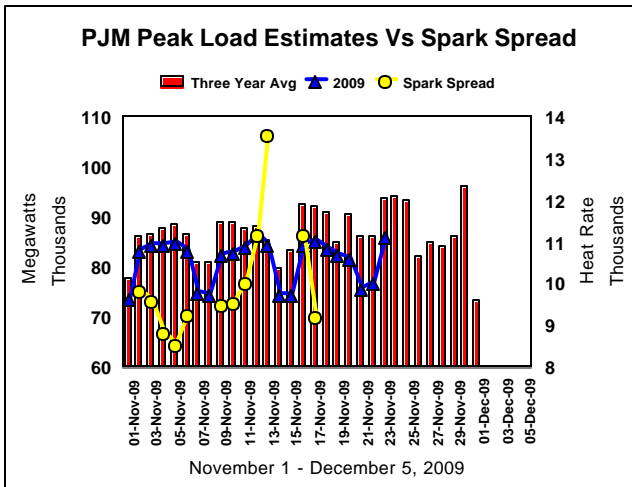
#### Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,113,900	\$3.468	\$0.824	(\$1.146)	\$0.899	(\$1.319)
Chicago City Gate	956,400	\$3.782	\$0.954	(\$0.832)	\$0.940	(\$1.319)
NGPL- TXOK	752,000	\$3.507	\$0.773	(\$1.107)	\$0.759	(\$1.478)
SoCal	653,100	\$3.744	\$0.817	(\$0.870)	\$0.803	(\$1.255)
PG&E Citygate	740,400	\$4.649	\$1.021	\$0.035	\$1.007	(\$0.536)
Dominion-South	496,300	\$3.724	\$0.837	(\$0.891)	\$0.823	(\$1.304)
USTRade Weighted	21,753,800	\$3.744	\$0.913	(\$0.870)	\$0.90	(\$1.319)

ConocoPhillips said it was looking at the possibility of selling its 25% stake in the Rockies Express Pipeline as part of its plan to divest \$10 billion in assets.

Spectra Energy yesterday said it is holding a binding open season through December 1<sup>st</sup> for its Texas Eastern Transmission system to deliver expanded volumes of Appalachian and Marcellus Shale gas to the Northeast.



Enterprise Products and Duncan Energy Partners said they have received additional firm transportation commitments from shippers that are sufficient to support expansion of the capacity of their recently announced 249 mile Haynesville Extension into northwest Louisiana to 2.1 Bcf/d. They said they have ordered 42-inch diameter pipe, which is larger than what was originally planned.

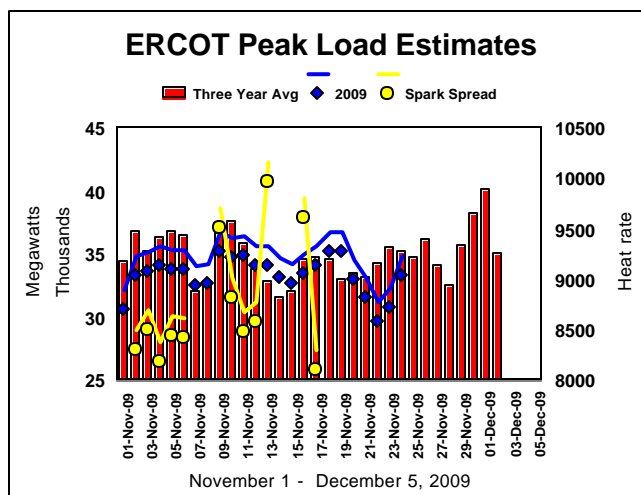
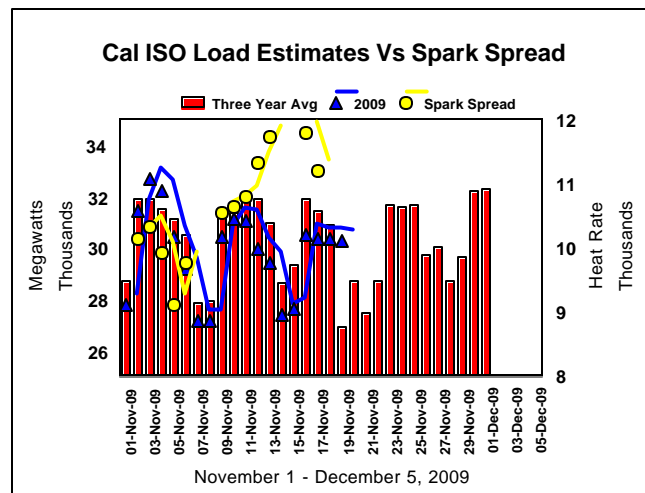
PetroChina reported that it has raised its daily natural gas output from the Changqing field to 55.8 million cubic meters to meet winter heating demand. This was up 8.5 million cubic meters per day from October. The field is expected to produce 22% more than a year ago. Meanwhile China Petroleum and Chemical, the country's largest oil refiner, said today it may increase gas production by more than 50% next year to 12-13 bcm.

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**PIPELINE MAINTENANCE**

Gulf South is performing system maintenance on both units at the Kiln Compressor Station starting this morning and lasting for two days. Based on the current system operations and nominations, the company does not anticipate any impact to shippers utilizing the station.



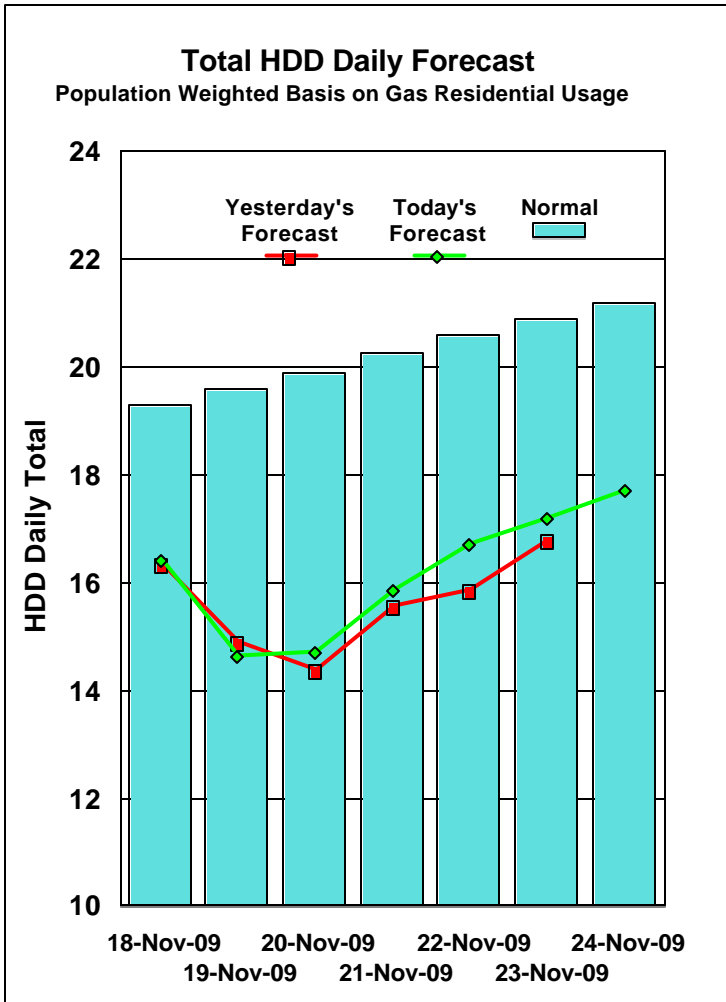
**PIPELINE RESTRICTIONS**

Tennessee Gas Pipeline said that effective for today and until further notice, due to reduced nominations, it would accept nomination increases pathed from meters located on the Carthage Line Lateral.

NGPL said effective for today and until further notice Florida Vermillion is at capacity for deliveries. Interruptible transportation service/authorized overrun and secondary firm transports are at risk of not being fully scheduled.

**ELECTRIC MARKET NEWS**

Reuters reported today that according to planned maintenance reports from U.S nuclear generation plants, it appears the spring maintenance and



refueling season will result in some 17,000 Mw of generation assets being shut, some 3,000 Mw less than the 20,000 shut this past spring season.

Genscape reported today that it estimated coal stocks at U.S. power plants this week shrank 0.14% from last week but still stood some 11.7% above year ago levels. U.S. generators as of Tuesday held 70 days of forward supply.

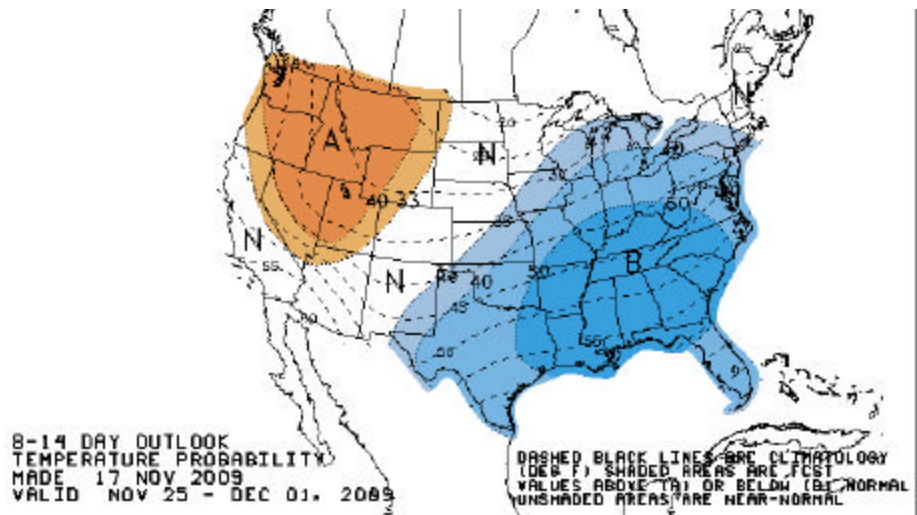
Exelon's Chairman and CEO telling a group of state regulators the "natural gas, to use the street term, is kind of a bitchy thing, because it's cheap most of the time and you're happy you have it, and then it gets expensive and you feel a little misled." He went onto say that "the risk of ignoring natural gas is twofold: One, you may miss the cheapest option for your customers, and two you may look very stupid and be exposed to a very vengeful regulator or legislator or customer if you did not bet on it and it stays relatively low cost." He called on U.S. energy policies to show continued support for the next generation of nuclear power plants, for renewable energy, particularly wind and solar power and cleaner coal." He looked for natural gas

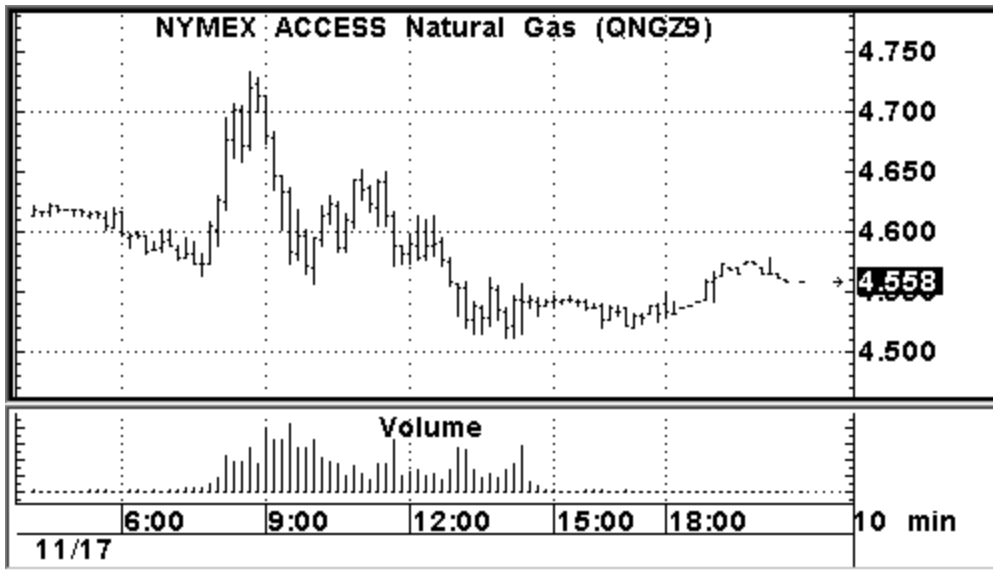
prices to remain very volatile and even with an increase in wind generation levels natural gas is needed for back up generation.

The U.S. EPA today proposed new air quality regulations for sulfur dioxide emissions. The proposed rules would set a one hour standard for concentrations of sulfur dioxide in the atmosphere between 50 and 100 parts per billion. These one-hour standards would replace existing regulations that limit sulfur concentrations to 140 ppb measure over 24 hours and an annual average of 30 ppb. EPA said the proposed rules would better protect public health by reducing people's exposure to high short term concentrations of SO2.

### **MARKET COMMENTARY**

The natural gas market was stronger this morning helped by rebounding cash values along with a supportive forecast early this morning for the 11-15 day temperature outlook. But the buying spree which pushed

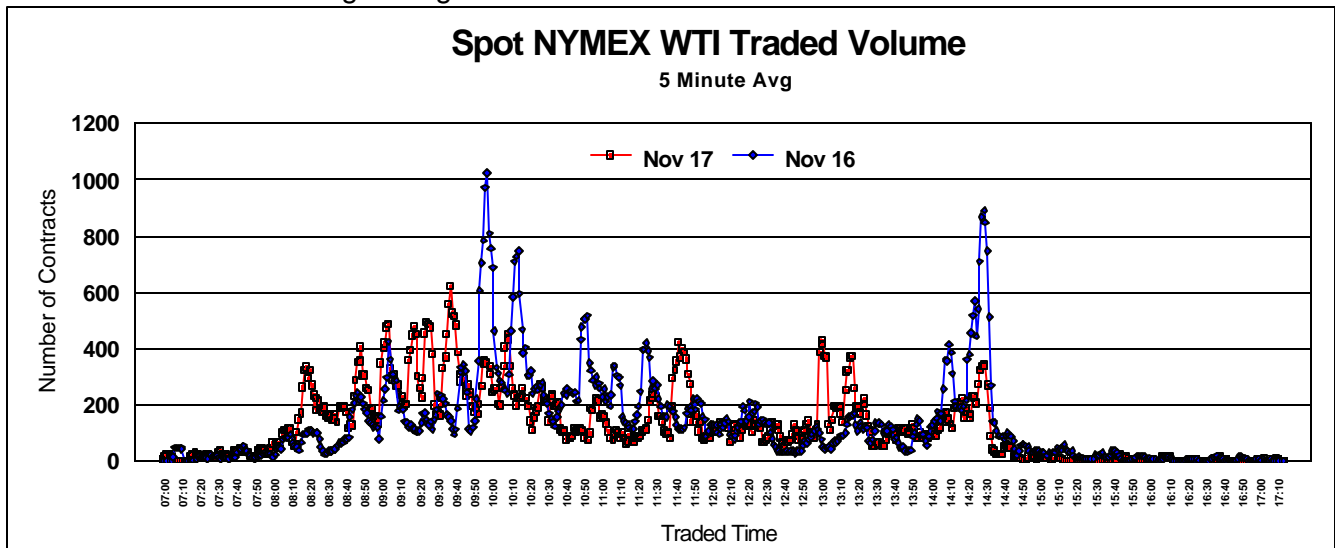




prices higher by over 20 cents in a hour, began to erode shortly after 9 am EST as a weak industrial production number seemed to slow the buying spree. Even with rebounding oil prices in the second half of the session, natural gas could not remain in positive territory and settled lower on the day, the first time out the last three trading sessions.

It appears that the recent rally in natural gas prices has been sparked by new buyers coming into the market. The combined and adjusted open interest in the Henry Hub futures and swaps on NYMEX and ICE through Monday has seen an increase in total positions of over 39,000 lots (10,000 mmbtus contract size) since November 11<sup>th</sup>.

With the daily stochastics still trending nicely higher we still remain on the sidelines and waiting for higher values to sell this market. We see resistance at \$4.672, \$4.734, \$4.815 and \$4.895. More significant resistance we see at \$4.937 and \$5.138. Support we see at \$4.51, \$4.458-\$4.449, \$4.3369, \$4.287 and \$4.24. Meanwhile we would still look for the prospects of colder temperatures to allow the March-April 2010 spread to return to the March regaining a premium at least from 1-3 cents before bears should look at selling this again.



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