



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino

(212) 624-1132 (888) 885-6100

[www.e-windham.com](http://www.e-windham.com)

### NATURAL GAS & POWER MARKET REPORT FOR JULY 15, 2010

#### NATURAL GAS MARKET NEWS

For the week ended July 9, natural gas storage built 78 Bcf, bringing working gas levels to 2,840 Bcf, up from 2,762 Bcf reported for the week to July 2. Working gas levels are now 33 Bcf below last year's levels, and 274 Bcf above the five-year average.

#### Generator Problems

The NRC reported this morning that some 94,634 Mw of nuclear generation was operating today, up 0.4% from yesterday and up 0.44% from the same day a year ago.

Total SA has announced that it has won approval from the U.K. and Norwegian regulators to develop its Islay natural gas field in the North Sea. According to Total officials, this field could contain as much gas as the equivalent of 17 million barrels of crude oil. The field has an estimated peak rate of gas production of 2.5 million standard cubic meters a day, along with associated condensates.

An agreement by the European Commission's Climate Change Committee on a proposal governing the auctioning of emission allowances has been agreed upon according to a statement released by the commission. The agreement calls for the creation of a central platform to sell the majority of EU carbon permits from 2013. The draft call for the creation of a central platform to sell the majority of EU carbon permits from 2013, but will allow countries to opt out and hold their own auctions.

In economic news, the Federal Reserve reported that industrial production increased by 0.1% in June after increasing by 1.3% in May. It reported that year on year, industrial production increased by 8.2% in June. The Fed report showed the rate of capacity US industries operate held steady in June at 74.1%.

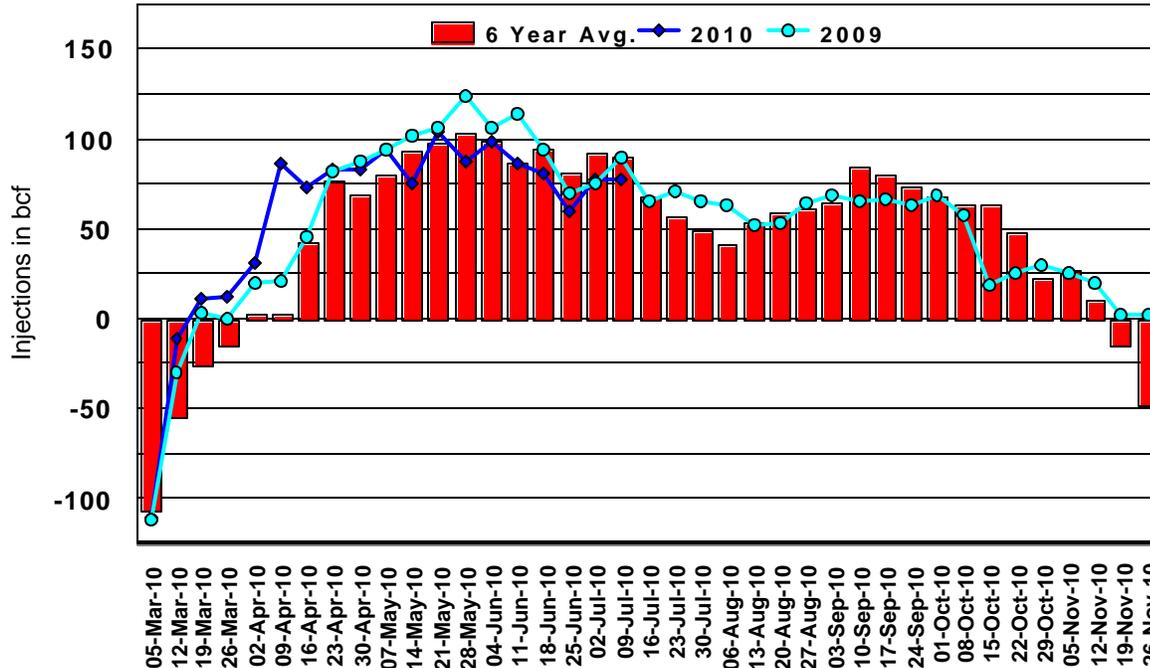
The US Labor Department reported that the number of US workers filing initial claims for unemployment benefits fell by 29,000 to 429,000 in the week ending July 10<sup>th</sup>. It is the lowest level for claims since August 23, 2008. Economists had expected claims to fall by 9,000 on the week. The previous week's level was revised slightly upward from 454,000 to 458,000. The four week moving average fell by 11,750 to 455,250 in the week ending July 10<sup>th</sup>. It reported that the number of continuing claims in the week ending July 3<sup>rd</sup> increased by 247,000 to 4,681,000 from the preceding week's revised level of 4,434,000. The unemployment rate for workers with unemployment insurance for the week ending July 3<sup>rd</sup> was 3.7%, up 0.2% from the prior week's revised rate of 3.5%.

The Labor Department said that declining food and energy costs pushed down US producer prices for the third consecutive month in June. The Producer Price Index for finished goods fell 0.5% on a seasonally adjusted basis last month. It followed an unrevised decline of 0.3% in May and 0.1%

#### EIA Weekly Report

	07/09/2010	07/02/2010	Change	07/02/2009
<b>Producing Region</b>	986	962	24	1029
<b>Consuming East</b>	1384	1341	43	1402
<b>Consuming West</b>	470	459	11	442
<b>Total US</b>	2840	2762	78	2873

## 2010 EIA Survey Build/Draw VS 6-Year Average



in April. Core prices increased by 0.1% last month.

### PIPELINE MAINTENANCE

Gulf South has announced plans for in-line inspection and cleaning on Index 430 Waskom to Longview 8 and 10 inch, beginning at 8 a.m. CT July 21 and continuing for two days.

Repairs at SNG's Ocmulgee Compressor Station in central Georgia have been completed. The station shut was shut unexpectedly July 12 and is currently on-line.

### PIPELINE RESTRICTIONS

Natural Gas Pipeline Co. has limited capacity through Segments 26 and 14. Limited interruptible transportation service/authorized overrun and secondary out-of-path firm transports are available.

Effective gas day July 16 and continuing until further notice; Trailblazer will be at capacity for gas going eastbound through Compressor Station 602. Interruptible transportation service/authorized overrun and secondary out-of-path firm transports are not available.

Tennessee Gas has lifted its restrictions for gas day July 15<sup>th</sup> and will accept nomination increases of 52,000 Dth estimated available capacity at station 245. Previously restricted nominations must be retriggered for any subsequent intraday cycle once a restriction has been lifted in order for increased volumes to be scheduled.

### MARKET COMMENTARY

Natural gas experienced its largest move to the upside in seven months after a government report showed a smaller than forecast inventory number. Stockpiles were expected to increase 80 billion cubic feet but came in at 78 billion cubic feet. Abnormally high temperatures boosted demand, with forecasts in the coming weeks calling for warmer-than-normal temperatures. Despite predictions for warmer than normal temperatures, inventories appear to be on track for reaching record levels this year, which should help to keep a lid on prices. The August natural gas contract rose 7 percent to

\$4.586, experiencing an outside trading session on high volume. It appears that weak shorts were forced out of this market on fears that the warm weather forecasts and lower than expected inventory increases would further boost prices. With the possibility that inventory levels can reach record highs, we would not look for today's run-up to continue much beyond \$4.6550 and would consider shorting this market with failed attempts to trade above this level.

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