



## 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 26, 2010

#### NATURAL GAS MARKET NEWS

Tropical Storm Bonnie was a bust in regards to damage or long lasting impact to offshore production facilities over the weekend. Shell reported this morning that production had restarted on Monday at its Gulf offshore production platforms. It noted that it has also restarted drilling and construction operations in the Gulf as well. Shell said it was back to near normal staff levels in the central Gulf and re-staffing in the eastern gulf will continue on Monday. Anadarko said production on its Neptune production platform, its only platform shut last week, had been restored as of Monday. Chevron and Exxon Mobil also said their production activities in the Gulf of Mexico have been restored as well. At midday the U.S. Bureau of Ocean Energy Management reported that some 428,246 b/d of offshore Gulf oil production remained offline in the wake of Tropical Storm Bonnie and some 617.8 MMcf/d of natural gas production.

#### Generator Problems

**NPCC** – OPG's 535 Mw oil and gas fired Lennox #3 power plant returned to service this morning. The unit had been shut since July 6<sup>th</sup>.

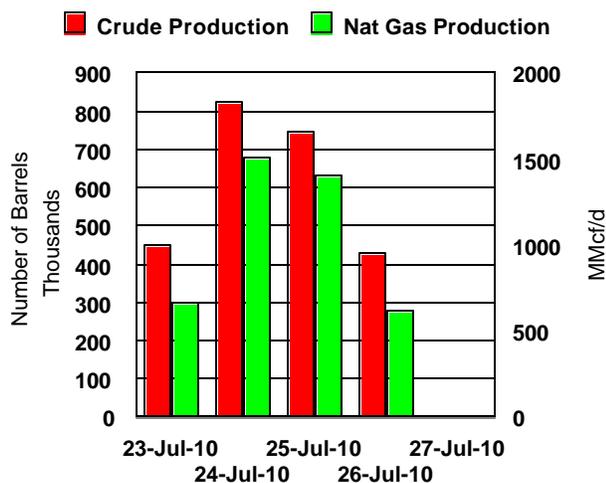
**ERCOT** – AEP reported that it has shut its 670 Mw coal fired Oklaunion power plant this past week end and expected to have the unit off line until August 4<sup>th</sup> to repair a tube leak.

The coal fired Martin Lake Steam Electric plant #2 unit was undergoing maintenance on electrostatic precipitator rappers during 7 am until 4 pm each day until July 30<sup>th</sup>.

**SERC** – TVA's Browns ferry nuclear units #1, #2 and #3 were at half power over the weekend and today due to related high water temperatures.

**The NRC reported this morning that some 94,365 Mw of nuclear generation was operating today, up 0.4% from yesterday and off 1.1% from the same day a year ago.**

U.S. Gulf Of Mexico Production Shut Ins



Enbridge said Monday morning its operations on its Nautilus natural gas pipeline system were back to normal as of 9 a.m. after the company declared a force majeure effective Saturday due to tropical Storm Bonnie. Meanwhile Destin Pipeline also said Monday morning it had terminated its force majeure event on an offshore portion of its pipeline back on Sunday after it declared one late Thursday for its offshore operations. Onshore operations though remained in operation. The pipeline has a 1.2 bcf/d capacity.

Poland's gas monopoly PGNiG asked the country's energy regulator on Monday to allow it to increase prices for the second time this year because of a strong dollar, which has a direct impact on the price of imported gas. After a protracted negotiation

regulators allowed the company in May to raise its prices by an average of 4.8%. The tariff expires at the end of November.

National Grid reported that its gas volumes transported in Britain were down by 4.6% in the first quarter (April-June) due to the effects of the economic downturn and as customers focus on energy efficiency. This came at a time when electricity transported rose by 1.3%.

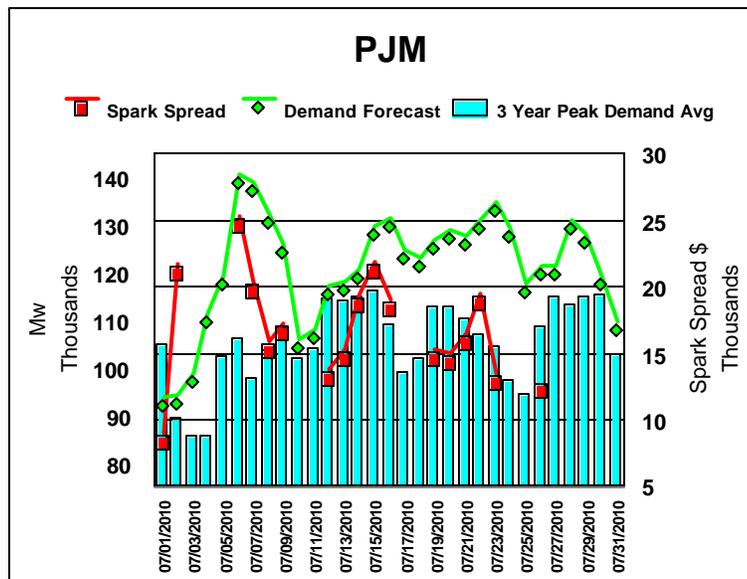
The tropical Atlantic was fairly quiet today with no areas expected to see any tropical cyclone development for at least 48-72 hours. The only area forecasters are watching currently is a

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	556,800	\$4.650	(\$0.044)	\$0.033	(\$0.062)	\$0.002
Chicago City Gate	295,200	\$4.625	(\$0.010)	\$0.008	(\$0.029)	\$0.068
NGPL- TX/OK	615,300	\$4.463	(\$0.006)	(\$0.154)	(\$0.025)	(\$0.111)
SoCal	360,500	\$4.331	(\$0.007)	(\$0.286)	(\$0.026)	(\$0.219)
PG&E Citygate	647,900	\$4.433	\$0.075	(\$0.185)	\$0.056	(\$0.177)
Dominion-South	771,200	\$4.826	(\$0.096)	\$0.209	(\$0.115)	\$0.349
USTrade Weighted	18,003,400	\$4.538	(\$0.043)	(\$0.079)	(\$0.06)	\$0.002

large tropical wave located over the Cape Verde Islands. This system currently has little convection associated with it. But the system does have a large moisture envelope associated with it and it does not appear the Saharan Air Layer nor wind shear values should have a significant impact on it as it moves westward.

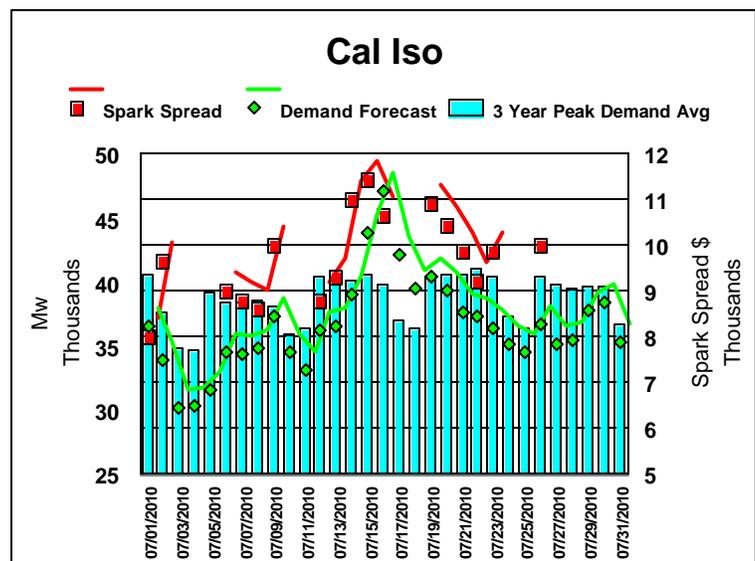
Turkey's energy market regulator, EPDK has given a LNG import license to Enerjisa, a joint venture of Sabanci Holding and Verbund. This increases the number of firms in Turkey with spot LNG import licenses to thirteen.

Analysts at Wood Mackenzie said today that they estimate that China will need to



import significant volumes of LNG to meet its growing energy needs through 2020. The company estimates that Chinese demand for gas will rise to 444 bcm in 2030 from 93 bcb in 2009. It has revised its forecast for Chinese LNG demand in 2020 upwards to 46 million tons per annum from its previous forecast of 31 million tons per annum. Domestic unconventional production will account for over a quarter of total gas supply by 2030. But given the lead time in developing these unconventional supplies, China will be forced to import significant volumes of LNG and pipe line gas, particularly up to 2020.

ONEOK Partners LP said today that it plans to spend up to \$730 million to build up NGL assets, including a pipeline by 2013. The company said it plans to build a 525-615 mile NGL pipeline, which will transport unfractionated NGL's from the Bakken Shale in the Williston Basin in North Dakota, at a cost of \$450-\$550



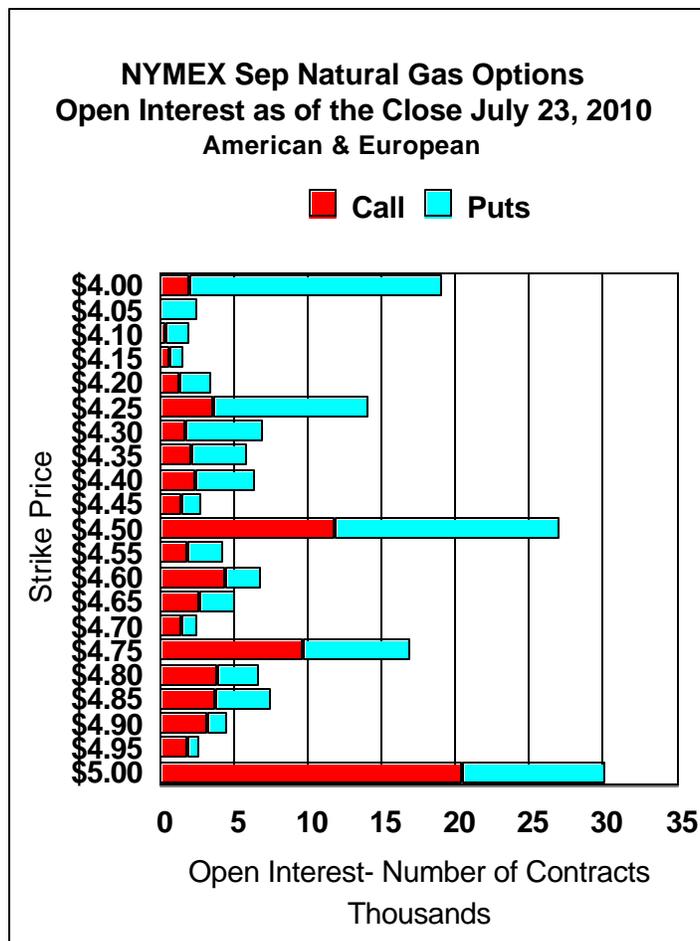
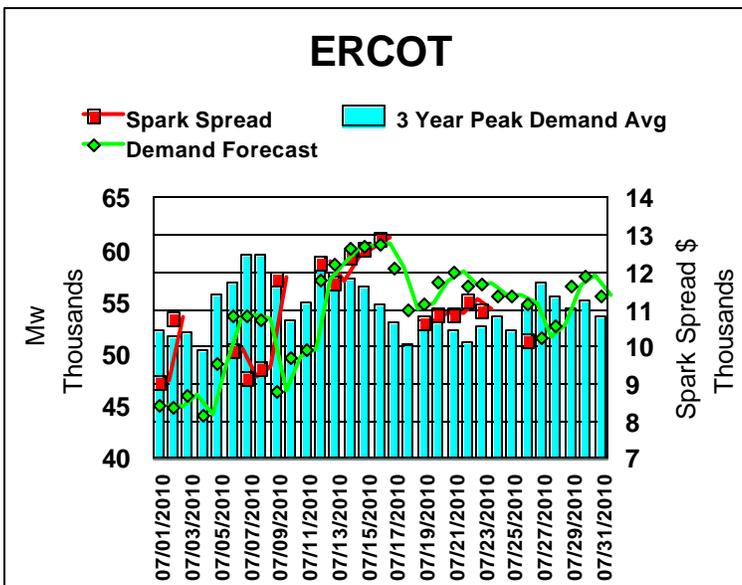
million.. The company also said it will spend \$35-\$40 million in capacity expansions for its interest in the Overland Pass Pipeline and \$110-\$140 million to expand its fractionation capacity at Buston, Kansas.

**ELECTRIC MARKET NEWS**

U.S. power output for the week ending July 22 rose 7.9% from the prior week and 12.2% over the same week a year ago.

**ECONOMIC NEWS**

The US Commerce Department said sales of new US single family homes rebounded sharply in June from the prior month's record low. It said sales increased 23.6% to a 330,000 unit annual rate from a downwardly revised 267,000 units in May. The number of new homes on the market fell 1.4% to 210,000 units, the lowest level since September 1968. The median price for a new home fell by 1.4% last month to \$213,400.



**MARKET COMMENTARY**

Despite the expectations that this market would be on the defensive today as a result of Tropical Storm Bonnie being a non-event over this past weekend, it appeared that the natural gas market found support by the general supportive economic mood in the equity markets from positively perceived housing numbers released at mid morning today. In addition as we approach expiration Wednesday of the August futures contract the strength in the cash market appears to be pulling futures values higher to help converge the two markets.

But as we enter into expiration day tomorrow for natural gas options we feel that this market will see a pull on the futures market to move back toward the \$4.50 area, a price level where there seems to be widespread open interest in the options market. We would look for support tomorrow at \$4.50 followed by \$4.453 and \$4.288. We feel though that while the tropics appear will remain quiet over the next 7-10 days, the return of widespread heat by the weekend for much of the nation that is expected to remain in place for next week should lend some modest support to the market and prevent it from moving significantly

lower. Resistance we see at \$4.71-\$4.72 followed by \$4.768, \$4.87-\$4.88. More distant resistance we see at \$4.934 \$5.20-\$5.25.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.