



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

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

**www.e-windham.com**

---

### **NATURAL GAS & POWER MARKET REPORT FOR JULY 30, 2010**

---

#### **NATURAL GAS MARKET NEWS**

The National Hurricane Center today continued to watch two tropical systems. The first was a fast moving tropical wave that continued to produce disorganized showers and thunderstorms over the southeastern and south central Caribbean Sea. Development potential for this system remained very low, with forecasters looking for only a 10% chance it become a tropical cyclone with in the next 48 hours. Greater focus though remained on the eastern Atlantic where a small area of disturbed weather, Invest 90 L is some 700 miles southwest of the Cape Verde Islands was located. While yesterday forecasters were noting that this system had greater potential for development, today it was seen as becoming a little less organized as the day progressed Friday. However a tropical wave between Africa and the Cape Verde Islands is producing a large area of showers and thunderstorms and it could in fact interact with the system just to its west.

The private weather forecasting group, WSI Corp said today that it was reducing its forecast for named storms for the 2010 Atlantic hurricane season to 19 from 20, but maintained its outlook for 11 hurricanes and 5 Category 3 or higher storms. A slow start to the hurricane season, due to a pocket of dry air over the Atlantic led to the downward revision of named storms but the forecasting service continues to see an active hurricane season with record warm water temperatures in the tropical Atlantic and an enabling wind shear environment. The forecasters see the area from North Carolina to Maine as being twice as likely as normal to experience a hurricane this year. The noted the threat to the Northeast coast this season is on par with that of Florida and the Gulf Coast. Meanwhile the private weather forecasting service Commodity Weather Group raised its Atlantic hurricane forecast to 15 named storms and nine hurricanes, an increase in 1 from its earlier outlook. The group continues to look for four hurricanes being Category 3 or higher.

#### **Generator Problems**

**PJM** – Exelon's 641 Mw Oyster Creek nuclear unit returned to full power late Thursday. The unit had been at 85% power yesterday.

PSEG's Hope Creek #1 nuclear unit returned to full power overnight, up 8% from Thursday morning.

PSEG's coal fired 1884 Mw Conemaugh power plant tripped Thursday but had recovered back to 90% power this morning.

Duke Power's coal fired 669 Mw East Bend power plant was shutdown on Thursday.

**SERC** – Associated Electric Coop's 1153 Mw coal fired Thomas Hill power plant ramped up its generator over night and was at 58% power this morning.

TVA's Browns Ferry nuclear plants continued to run at reduced rates. Unit #2 and #3 remained unchanged levels this morning at 50% and 95% respectively. Unit #1 was reduced back to half power off 17% from a day earlier.

**SPP** – NPPD's 1381 Mw coal fired Gentleman power plant ramped up its generators Thursday and was at 94% full power this morning.

**MISO** – NextEra Energy Resources 1073 Mw Point Beach #1 nuclear unit ramped up overnight and was at 97% capacity this morning.

WPS coal fired 1175 Mw Weston power plant powered down on Thursday but ramped back up overnight and was running at 84% capacity

**The NRC reported this morning that some 94,723 Mw of nuclear generation was operating today, up 0.4% from yesterday and off 0.2% from the same day a year ago.**

Baker Hughes reported this afternoon that the number of drilling rigs searching for natural gas dropped by 10 rigs to 972. This was the first decline in six weeks. Baker Hughes reported that number of

horizontal drilling rigs operating fell by 5 to 853 rigs, the third straight weekly decline and a possible signal that shale gas drilling may finally be slowing.

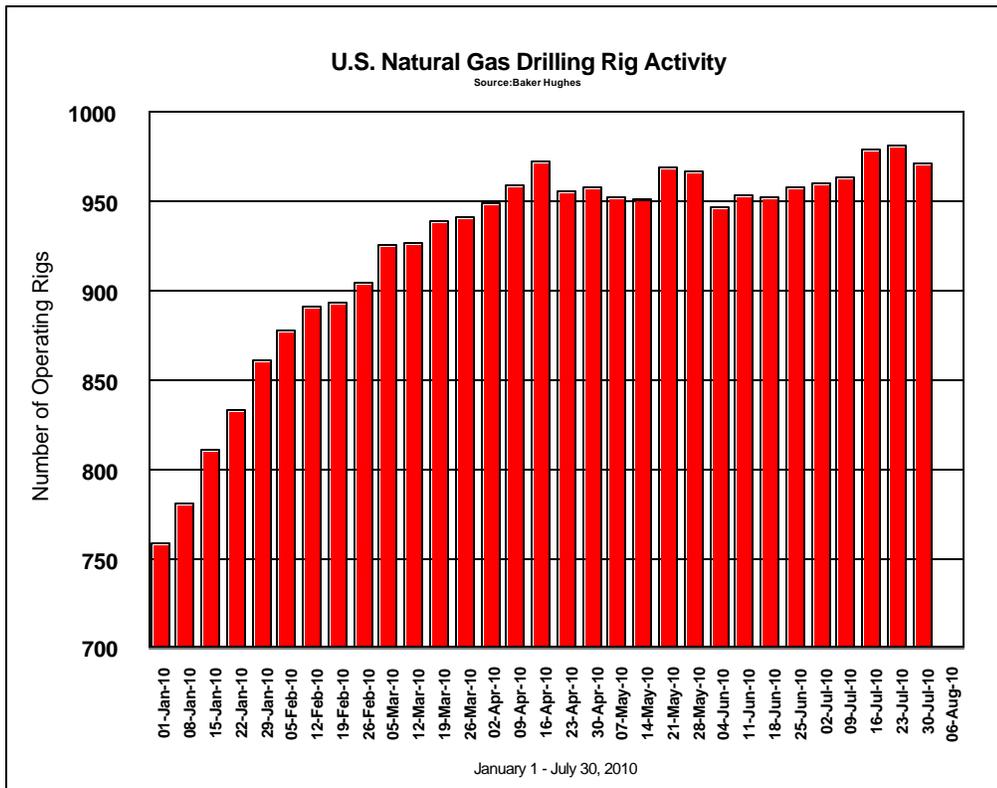
Gazprom said today that it expects to see higher natural gas volumes and stable prices in 2011. The company's management continues to feel that it will reach its

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	1,129,400	\$4.811	\$0.012	(\$0.043)	(\$0.028)	(\$0.170)
Chicago City Gate	726,400	\$4.773	\$0.017	(\$0.081)	(\$0.015)	(\$0.045)
NGPL- TX/OK	800,300	\$4.631	(\$0.003)	(\$0.224)	(\$0.035)	(\$0.187)
SoCal	339,000	\$4.350	\$0.027	(\$0.504)	(\$0.005)	(\$0.427)
PG&E Citygate	620,000	\$4.476	\$0.022	(\$0.378)	(\$0.010)	(\$0.303)
Dominion-South	513,400	\$4.861	(\$0.110)	\$0.007	(\$0.142)	\$0.140
UTrade Weighted	19,275,000	\$4.626	\$0.004	(\$0.228)	(\$0.03)	(\$0.170)

planned export revenues target of \$45 billion this year. The Deputy CEO of Gazprom said today the proposed Nabucco natural gas pipeline from Turkey to Austria is not a competitor to the Russian backed South Stream pipeline because Europe's energy needs are high enough to support both.

Tokyo Electric Power Company reported today that while it was cutting its total oil consumption forecast by 21% for the current fiscal year, it raised its LNG consumption outlook to 17.6 million tones.

South Korea announced it would raise domestic city gas wholesale prices by an average of 4.9% in September. State-run utilities have been suffering losses as a result of not being able to pass along price increases for fuel.



Transitgas AG reported that its Swiss-Italian natural gas pipeline system should see gas flows begin to resume on August 9<sup>th</sup>, weather permitting. The pipeline section, TRG23, was shut on July 23<sup>rd</sup> for safety reasons, when rains from thunderstorms in the Guttannen, Switzerland area threatened to cause rockslides.

Exxon Mobil and PetroChina are in talks over an effort to jointly explore and develop an unconventional gas block in the Ordos basin in north China. The talks have been underway since June.

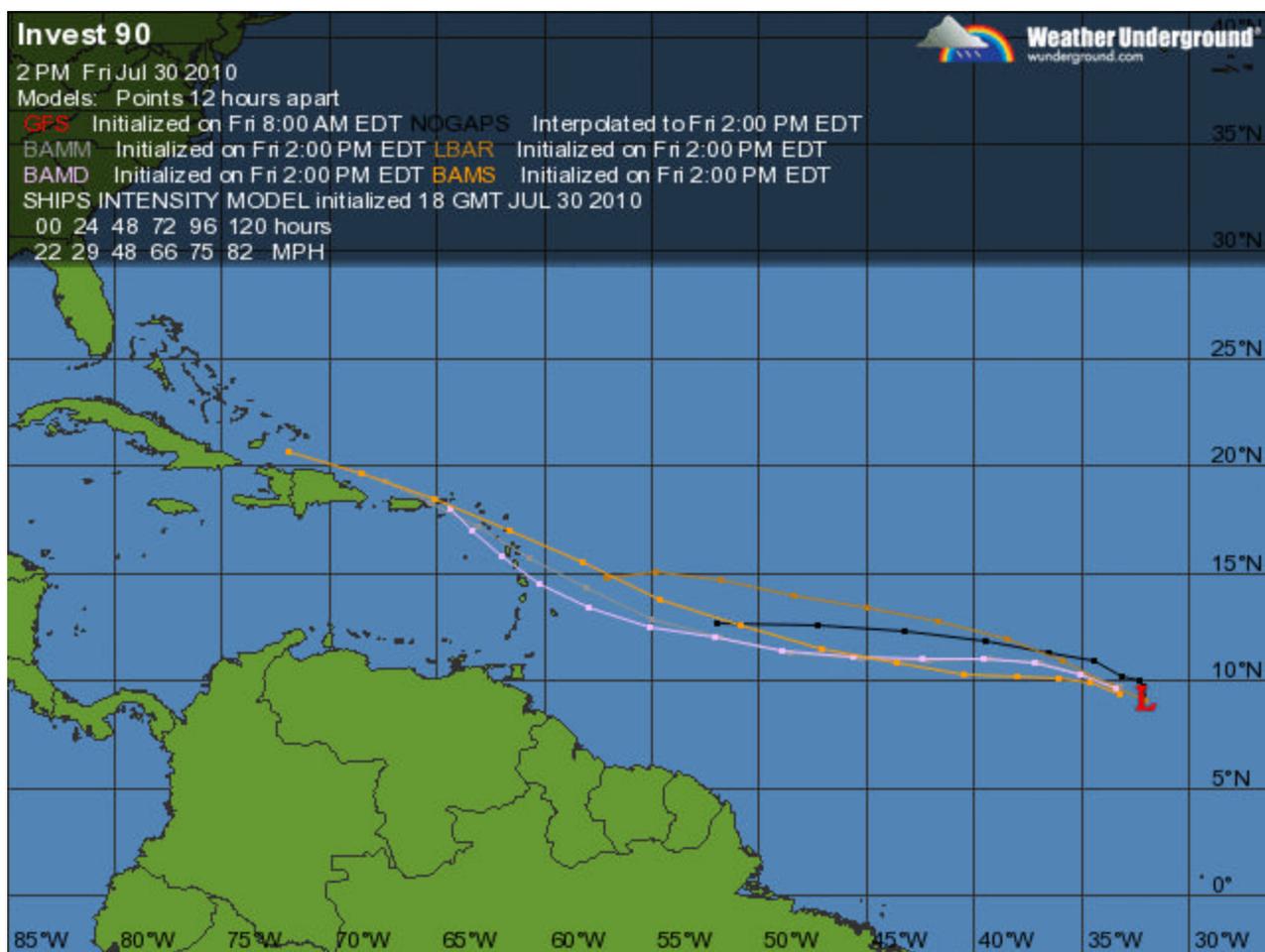
**PIPELINE RESTRICTIONS**

Trailblazer Pipeline reported today that effective for today and until further notice it has increased the amount of firm capacity at Station 602 to 800,000 Dth. The company said it is still experiencing an unexpected outage due to a mechanical failure on one of the compressor units at Station 602, but it was increasing the amount of firm capacity that is available due to current operating conditions.

Tennessee Gas Pipeline said it will accept nomination increases of 93,000 Dth at the Rivervale Delivery Meter.

NGPL said effective for July 30<sup>th</sup> and continuing until further notice, Midwestern – Herscher Kankakee has capacity available for deliveries. Interruptible transportation service/authorized overrun and secondary firm transports are available to be scheduled.

FGT issued an overage alert day in its market area, at 15% tolerance for July 30<sup>th</sup> due to high temperatures in its service territory.



### **ELECTRIC MARKET NEWS**

Southern California Edison said on Friday the Crown Fire in the Antelope Valley in Northern Los Angeles County was threatening four transmission lines. Power though was still reported to be flowing through the lines.

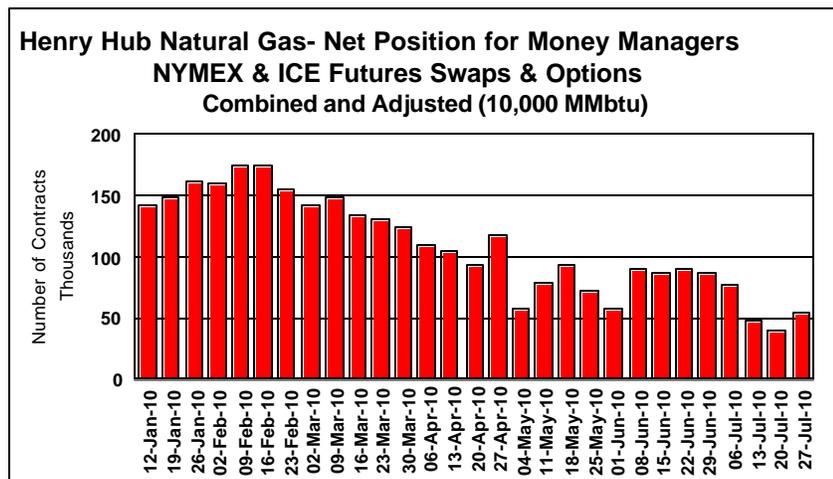
### **ECONOMIC NEWS**

The Commerce Department reported this morning the U.S. GDP expanded at a 2.4% annual rate for the second quarter, while it revised higher its estimate for the first quarter to 3.7% growth pace. Market

expectations had been for a 2.5% rate of growth for the second quarter. Much of the growth appears to have come from inventory building, government spending and a tax driven housing blip.

The Economic Cycle Research Institute said its weekly Leading Index rose to 121.1 in the week ending July 23<sup>rd</sup> from 120.6 in the previous week. The Index was at its highest level since June 25<sup>th</sup>

The Thomson Reuters/University of Michigan's Surveys of Consumers showed that consumer sentiment plunged in July to its lowest level in 9 months. July's reversal in consumer sentiment was dramatic after the index in June had reached its highest level in 2 ½ years.



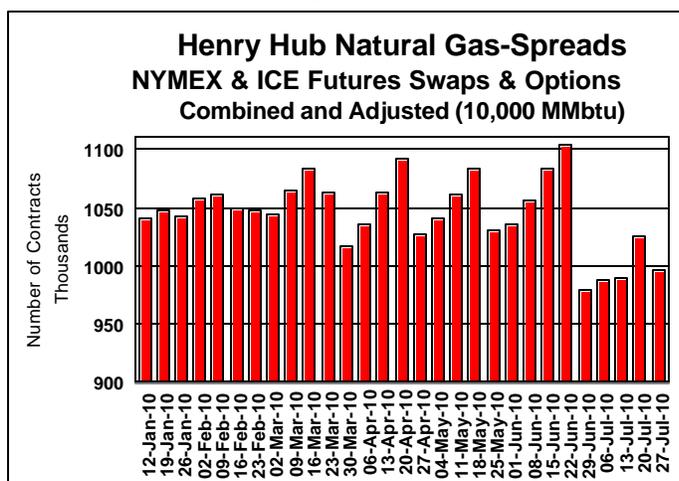
The Institute for Supply Management - Chicago business index rose to 62.3 in July, much stronger than the 56.5 that most market participants had been expecting. The index stood at 54.2 in June.

Statistics Canada reported today that growth in Canada's economy edged up in May after unexpectedly stalling in April. The government

reported the real GDP rose 0.1% in May lead in part by oil and gas extraction industries. The Canadian economy posted a 4.9% growth rate in the 4Q2009 and a 6.1% growth rate in 1Q2010.

### MARKET COMMENTARY

A late session rally backed by weather related buying and short covering pushed the September contract to a high of \$4.937. Yesterday's U.S. EIA report maintained its bullish effect on the market as inventory numbers, which were expected to increase by 34 billion cubic feet, increased by 28 bcf. This coupled with two possible tropical weather systems becoming more threatening, and supportive drilling rig news from Baker Hughes spooked weak shorts into covering ahead of the weekend. The September contract has been trading within an ascending channel, falling shy of the \$4.945 top. This channel will begin next week set between \$4.635 and \$4.974. Currently, there is resistance set at \$4.962. A break above this level should take the September contract to at least the channel top. A penetration of this level sets up prices for a test at the projected level of \$5.313.



This afternoon's Commitment of Traders Report showed that for the week ending July 27<sup>th</sup>, commodity funds increased their net length in the Henry Hub futures, swaps and options markets on ICE and NYMEX. This increase reversed a downward trend of the past month, possibly as commodity funds moved to position themselves more on the long side of this market heading into the heart of the hurricane season. It is interesting that the loss of several hedge funds a few weeks ago has kept this trading segment's spread positions still at reduce levels.

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.