



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 6, 2009**

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

The tropical Atlantic basin continues to remain very quiet. But long range forecasting models continue to look for an upswing in activity later this month. The two-week GFS model is forecasting at least two tropical weather systems at the end of that period. Some forecasters continue to point to the Madden-Julian Oscillation expected to go into a phase of upward motion by the middle of the month and then continue for about 23 weeks, which many believe point to the end of August and early September as a busy period of tropical development.

#### **Generator Problems**

**MISO-** Exelon's 1152 Mw Braidwood #2 nuclear unit was at 78% capacity early Thursday, up from just 16% on Wednesday.

**WSCC –** Energy Northwest's 1131 Mw Columbia nuclear power station was shut early Thursday after a turbine trip and reactor scram on Wednesday.

**ERCOT & SPP –** Luminant's 575 Mw Big Brown #1 coal fired unit is expected to be taken off line to fix a tube leak late Thursday.

**The NRC reported this morning that 95,115 Mw nuclear generation capacity was on line, down 0.5% from yesterday and down 1.4% from the same time a year ago.**

#### **EIA Weekly Report**

	07/31/2009	07/24/2009	Change	07/24/2008
<b>Producing Region</b>	1068	1059	9	746
<b>Consuming East</b>	1579	1523	56	1410
<b>Consuming West</b>	442	441	1	353
<b>Total US</b>	3089	3023	66	2509

\*storage figures in Bcf

Chesapeake Energy Corp said today that Plains Exploration and Production, its joint venture partner has agreed to pay \$1.1 billion for its share of drilling costs early in exchange for a 12% discount.

NOAA today released their updated hurricane forecast for this year. The agency is now looking for between seven and eleven tropical storms with three to six become hurricanes. Back in May the agency had called for 9-14 tropical storms with 4-7 becoming hurricanes.

The U.S. Climate Prediction Center said today it looks for the El Nino pattern to strengthen over the next two months, but forecasts varied by how much. Main stream forecasting models seem to suggest continued development of a weak to moderate strength El Nino into the fall of 2009 in the Northern Hemisphere, with the likelihood of at least a moderate strength El Nino during this year's winter season.

#### **Canadian Gas Association**

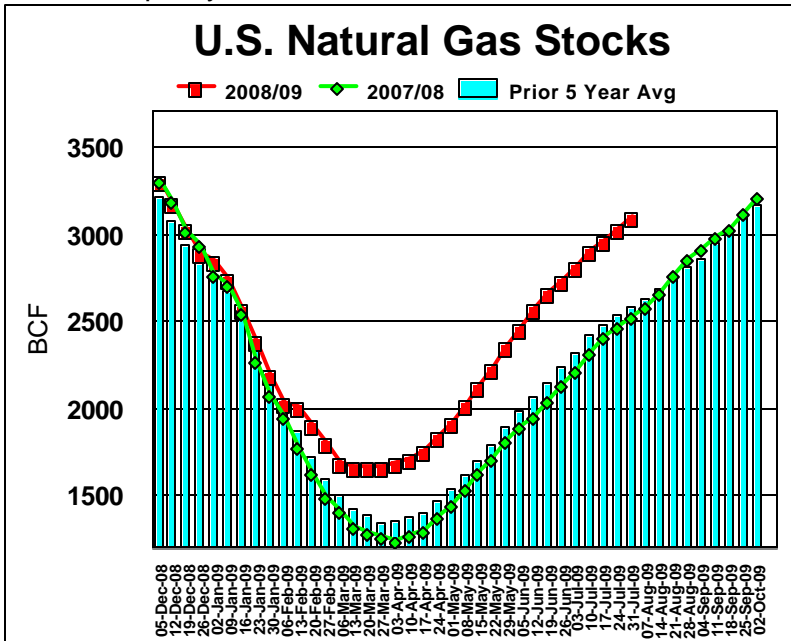
#### **Weekly Storage Report**

	31-Jul-09	24-Jul-09	01-Aug-08
<b>East</b>	212.3	206.7	170.5
<b>West</b>	313.9	309	265.9
<b>Total</b>	526.3	515.7	436.4

storage figures are in Bcf

Transco said today its recent binding open season for its proposed Northeast Supply Project was a success, saying the new pipeline capacity is expected to begin serving the New York City area in late 2012. The Northeast Connector will access additional supply beginning at Station 195 in southeastern Pennsylvania and create capacity to deliver this supply to Transco's Rockaway Delivery Lateral. As a result of the open season, shippers for the

Northeast Connector executed precedent agreements for 100,000 Dth/d of firm transportation capacity, while shippers for the Rockaway Delivery Lateral executed precedent agreements for 64,000 Dth/d of capacity.

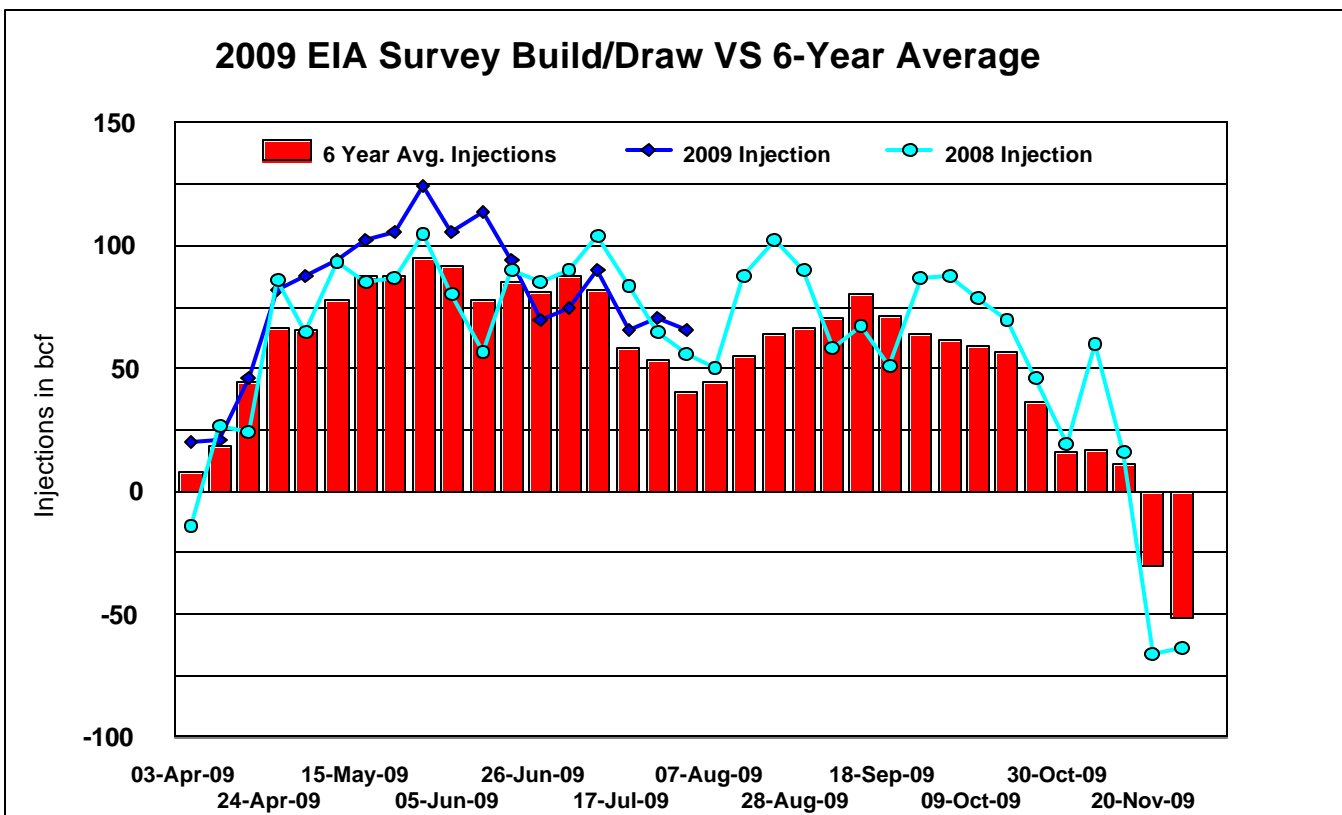


Citigroup reportedly has been on a buying spree of LNG cargoes this month, with the latest purchase coming on a tender for a cargo from Trinidad loading around August 20th

The Russian Energy Minister said today that the construction of the South Stream gas pipeline will start no later than 2010 and there are no serious reasons for a delay.

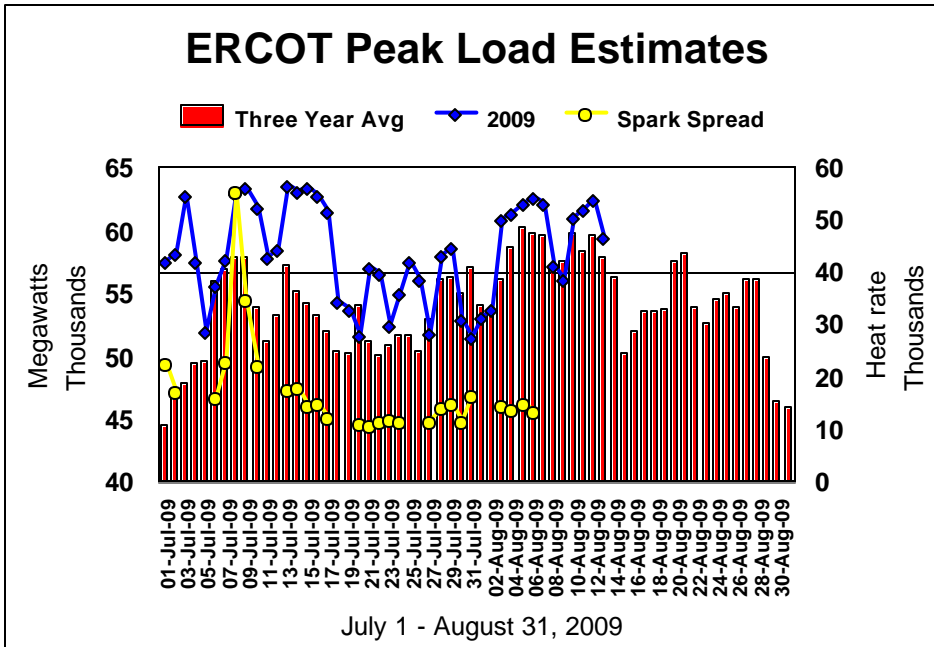
Turkey has signed a deal with Gazprom on gas imports that includes the construction of new gas fired power stations as well as the construction of a LNG terminal and gas distribution networks for Ankara and Istanbul.

Gazprom confirmed today that the Ukraine's Naftogaz has fully paid for July's supply of Russian gas deliveries.



Polish gas operator Gaz System said today it had started a tender for building its LNG terminal, which has a planned capacity of 5 bcm and hopes to be operational by 2014. The company has already

signed a deal with Qatargas to delivery 1.4 bcm starting in 2014. The cost of the terminal is estimated at \$800 million to \$1 billion.

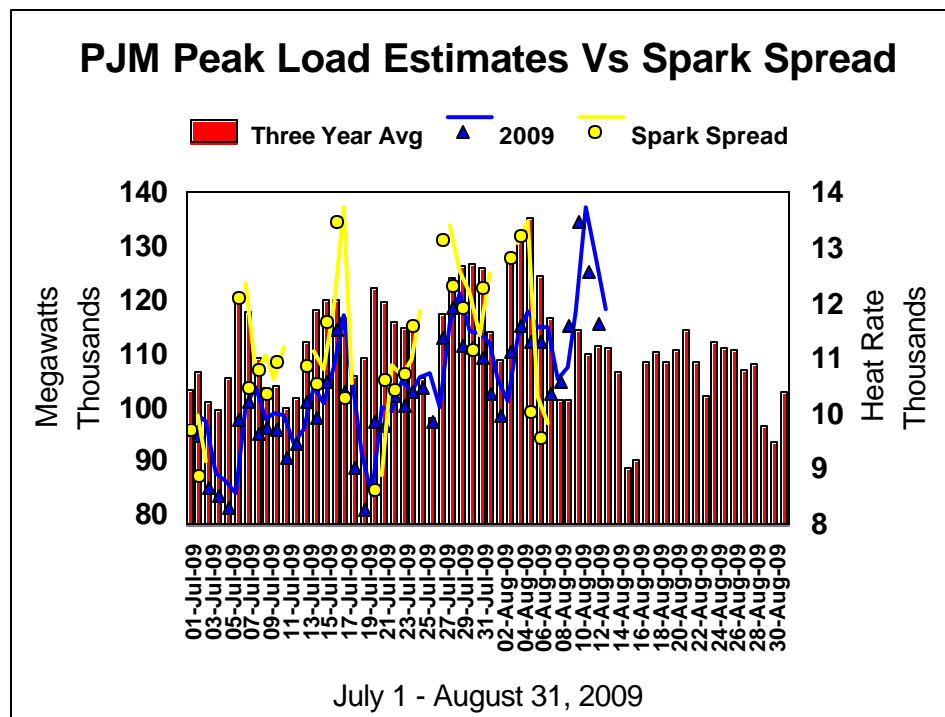


Italy's largest utility Enel said it has received a key approval from authorities in Sicily to build a LNG facility on the island. The cost of the plant is estimated at 650 million euros.

The U.S. Federal Trade Commission today issued a final rule on oil market manipulation. The agency said it would prohibit fraud or deceit in wholesale petroleum markets, and omissions of material information that is likely to distort petroleum markets. The agency said it will

police the markets and would go after companies or individuals that are attempting to manipulate the market. It would impose a \$1 million per day fine on energy traders engaged in price manipulation. The agency said some of the violations it would seek to punish would include false public announcements of planned pricing or petroleum output decisions, false statistical or data reporting and so called wash sales intended to disguise the liquidity of the market or pricing of a product. The FTC said the new rule takes effect November 4<sup>th</sup>.

CFTC Chairman Gensler said at following the conclusion of its recent hearings that he believes the CFTC needs to seriously consider placing position limits in energy markets. He also said the CFTC would "aggressively" fulfill its mandate to promote market integrity and preventing markets from being too concentrated. Gensler noted the position limits are already in place in agricultural markets.



Goldman Sachs analysts today said they expect commodity prices to spike sharply higher in 2010, following a similar pattern that the markets demonstrated in 2008 when all and other commodities hit a series of all time highs. Goldman Sachs said potential supply shortages created by years of underinvestment have been exacerbated by the global financial crisis and tight

markets demonstrated in 2008 when all and other commodities hit a series of all time highs. Goldman Sachs said potential supply shortages created by years of underinvestment have been exacerbated by the global financial crisis and tight

credit conditions. The analysts noted, “ As the developing world increasingly begins to consume like Westerners the demands placed on the finite resources of the planet increases. This trend of human populations growing faster than the earth’s ability to produce not only impacts food production but that of commodity usage.”

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 08/06/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	9	9	P	3	0.0344	0.0201	6050	0.035	0.03
LN	9	9	P	3.5	0.1558	0.0916	4925	0.13	0.1
LN	9	9	P	3.25	0.0782	0.0455	3708	0.075	0.075
LN	9	9	C	4	0.1679	0.3218	2510	0.175	0.175
LN	10	9	P	3.5	0.2385	0.1688	2000	0	0
LN	9	9	C	4.5	0.0612	0.1436	1691	0	0
LN	9	9	P	3.75	0.2706	0.1693	1637	0.255	0.2325
LN	9	9	C	5	0.0201	0.0581	1550	0	0
LN	10	9	P	2.5	0.0327	0.0267	1375	0	0
LN	9	9	C	4.25	0.103	0.2179	1326	0	0
LN	3	10	C	15	0.0119	0.0169	1250	0	0
LN	12	9	C	8	0.1048	0.1477	1184	0.115	0.115
LN	10	9	C	7	0.0183	0.0368	1150	0	0
LN	10	9	C	5.5	0.097	0.1664	1050	0.115	0.115
LN	3	11	C	9.5	0.565	0.6293	1050	0	0
LN	11	9	P	3.5	0.1241	0.107	1000	0	0
LN	12	9	P	3.5	0.0537	0.0452	950	0	0
LN	10	9	P	3	0.0986	0.068	950	0	0
LN	1	11	C	9.5	0.5575	0.6139	950	0	0
LN	2	11	P	5	0.2623	0.2395	950	0	0
LN	1	11	P	5	0.2474	0.2251	950	0	0
LN	3	11	P	5	0.3135	0.295	950	0	0
LN	2	11	C	9.5	0.5838	0.6402	950	0	0
LN	12	9	P	4	0.1201	0.0997	930	0	0
LN	12	9	P	3	0.0231	0.0172	900	0	0
LN	9	9	P	4	0.4249	0.2798	810	0	0
LN	9	9	C	3.85	0.2212	0.4014	805	0	0
LN	12	9	C	10	0.027	0.04	700	0	0
LN	9	9	C	4.75	0.0354	0.0923	660	0	0
LN	10	9	C	4.75	0.2182	0.3452	650	0	0
LN	10	9	C	5	0.1669	0.2716	550	0	0
LN	1	10	P	4	0.1018	0.0855	550	0	0
ON	9	9	P	3.5	0.156	0.092	543	0.159	0.102
LN	10	9	P	3.25	0.1585	0.1082	525	0.145	0.125
LN	1	10	C	9	0.0964	0.1325	525	0.12	0.12
LN	12	9	P	5	0.4171	0.3442	500	0	0
LN	10	9	P	2.75	0.0564	0.0438	500	0	0
LN	3	10	P	3	0.02	0.016	500	0	0
LN	3	11	P	7.1	1.2966	1.2367	500	0	0
LN	3	11	C	7.1	1.1413	1.2475	500	0	0
LN	3	12	P	7.4	1.3904	1.3405	500	0	0
LN	3	12	C	7.4	1.2592	1.3272	500	0	0

**PIPELINE**

**RESTRICTIONS**

Tennessee Gas Pipeline announced no new restrictions were required at any pipeline points or locations today.

**PIPELINE MAINTENANCE**

Gulf South will be performing planned system maintenance on Units 1 and 2 at the Olla Compressor station beginning on August 10<sup>th</sup> and last for four days. Capacity could be reduced by as much as 250,000 Dth during the maintenance work.

Southern Natural Gas said it was conducting maintenance on all of its pipes between Perryville regulator station and Onward compressor station. Beginning August 7<sup>th</sup>, the company will begin work on the Loop Line, which will require receipts from the panenergy receipt point to be shut in for 10 days.

**ELECTRICITY MARKET NEWS**

The head of the FERC said Thursday that as a result of the recent discovery of vast new supplies of natural gas, along with the availability of geothermal power and

power from waves it has opened up new options for power generation in the United States that could move the nation to a lower carbon transition utilizing just those resources.

Dominion Virginia Power earlier this week applied to the DOE for a \$200 million stimulus grant to accelerate the installation of 2.4 smart meters for its customers.

### **MARKET COMMENTARY**

The natural gas market saw the gains from Monday basically erased following the release of a slightly larger than expected storage report. Prices eroded through the late morning before finding support just above the 62% retracement of the bull move from July 29<sup>th</sup> through August 3<sup>d</sup>. With prices reaching these levels we have exited our shorts that were established earlier this week at \$4.00. While we feel stocks will continue to act as a weight around the neck of this market, we feel with the prospects of higher generation loads next week coupled with the expectations for a significant jump in tropical activity starting at mid month that buyers should return to this market and push prices temporarily higher. As a result we would prefer to look to move to the sidelines for any outright positions, waiting for the potential opportunity to sell this market when weather fears could send this market to new near term highs.

We look for support in this market tomorrow to start at \$3.737-\$3.728, followed by \$3.459, \$3.40 and \$3.366. More distant support we see at \$3.296, \$3.25 and \$3.227. Resistance we see at \$4.097, \$4.162, \$4.261 and \$4.716.

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