



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 9, 2010**

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

Preliminary surveys are calling another below-average injection for this week's natural gas storage report due out on Aug. 12. Early expectations for Aug. 6 range widely from a net build as small as 7 Bcf to a total injection of as much as 45 Bcf. Estimates range between 30 Bcf and 35 Bcf, below this week's five-year average build of 39 Bcf and nearly half the 63-Bcf injections reported during the same week last year.

Due to new sanctions against Iran, its deputy oil minister has said that Iran will delay its multi-billion dollar plan to create an LNG industry. The new sanctions are said to be taking a toll on Iran's already straining economy. Iran has the second largest gas reserves in the world after Russia but sanctions regarding its nuclear energy program and other factors have hindered its development and it has major net exports.

#### **Generator Problems**

**NPCC-** Ontario Power Generation's 494 Mw Unit 2 coal fired power plant returned to service by early Monday after being shut Friday. Separately, OPG's 490-Mw coal fired Unit 1 at Nanticoke returned to service by early Monday, while unit 8 shut. Meanwhile OPG's 535 Mw Unit 2 at the Lennox oil and natural gas fired power plant in Ontario shut by early Monday.

**SERC-** Duke Energy Corp's 846 Mw Unit 1 at the Oconee nuclear power plant in So. Carolina dropped to 1 percent by early Monday from full power Friday.

**FRCC-** NextEra Energy Inc's 839 Mw Unit 1 at the St. Lucie nuclear power plant in FL ramped up to 95 percent early Monday from 48 percent early Friday.

**The NRC reported this morning that some 95,232 Mw of nuclear generation was operating today, up 0.54% from Friday and off 1.07% from the same day a year ago.**

The restart of the southern leg of the Transit gas pipeline, which takes gas across Switzerland to Italy, is expected to be delayed from the scheduled date of Aug. 9.

The Methane Nile Eagle LNG tanker is expected to arrive at Belgium's Zeebrugge terminal on Aug. 24. The tanker has capacity to hold up to 145,000 cubic meters of super-cooled natural gas and comes from Qatar.

Britain's Alwyn gas field restarted production on Saturday after experiencing a power cut at the Alwyn North Platform. The Elgin-Franklin platform remains shut due to ongoing maintenance, after shutting on July 30 for planned maintenance.

Abu Dhabi's investment fund, IPIC, is said to be eyeing shares in the planned Nabucco pipeline that is supposed to deliver gas from the Caspian region to Europe.

Russian gas that is transported through Ukraine to Europe rose 21 percent in volume based upon a year-on-year average. Throughput is said to be 55.8 billion cubic meters in January-July 2010. Ukraine's Ukransgas transport monopoly said in a statement that transit volume totaled about 46.1 bcm in January- July 2009.

Iraq confirmed reports that it told Iran it is ready to allow the transit of Iranian natural gas destined for Syria and Mediterranean countries. The pipeline would have to be able to handle a daily capacity of 110 million meters to go through Iraq before reaching Syria and Mediterranean countries.

### **PIPELINE RESTRICTIONS**

Tennessee Gas Pipeline Co. said it would accept nomination increases of 60,000 Dth at Station 321. Customers are reminded that 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.

REX has notified its customers that based on the current operating conditions across its system, effective for gas day Aug. 10 and until further notice, the company will only schedule primary in-path quantities through Segment 200.

### **ELECTRIC MARKET NEWS**

According to data collected by the U.S. Army Corps of Engineers, total hydroelectric generation in the Northwest U.S. eased in July, however, output remained above year-ago levels at most of the region's power-generating dams. Figures released on Aug. 7 showed a 30% month-on-month drop in total hydropower production in the Pacific Northwest in July. Total hydroelectric generation at 23 hydro plants across the region was about 6.08 million MWh last month, down from 8.78 million MWh in June, but still up 11.6% from close to 5.44 million MWh in July 2009.

Genscape reported that US power output in the week ending August 5<sup>th</sup> fell by 3.1% on the week but increased by 1.7% on the year.

Constellation Energy Inc is said to be in a \$1.1 billion bid to buy five power plants in New England from Boston Electric, which has been having financial difficulties. The four natural gas fired power plants and a fuel oil plant in the Boston area have combined capacity of 2,590 Mw and would be Constellation's first generating assets in the New England Power Pool.

### **ECONOMIC NEWS**

The Conference Board said its Employment Trends Index increased to 97 in July from 96.7 in June. The index is up 9.8% on the year. The gauge of the US job market increased in July for the 14<sup>th</sup> consecutive month.

### **MARKET COMMENTARY**

The natural gas market traded sharply lower on moderating weather forecasts. The National Weather Service revised previous forecasts and are now predicting below normal temperatures across the Midwest, Northeast, the Great Plains and parts of the Southeast from August 14-18<sup>th</sup>. The natural gas market posted a high of \$4.548 in overnight trading on Globex and settled in a sideways trading pattern. The market however continued on its downward move, breaching its support at \$4.29 and sold off to a low of \$4.263 in afternoon trading. The market later retraced some of its losses and settled down 15.8 cents at \$4.309.

The natural gas market is seen continuing its recent sell off amid the lack of any supportive fundamentals. Support is seen at \$4.199, \$4.168, followed by \$4.088 and \$3.914. Resistance is seen at \$4.484, \$4.658 and \$4.769.

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