



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 13, 2010**

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

Pemex has been working to control a leaking natural gas well at an unmanned offshore natural gas platform in the Gulf of Mexico.

The natural gas drilling rig count in the U.S. hit an 18-month higher this week rising by 9 to 992, according to a report put out Friday by oil services firm Baker Hughes in Houston. This is the highest number of rigs since February 2009 when total rig count was 1,018.

#### **PIPELINE RESTRICTIONS**

FGT issued an overage alert day at 25% tolerance for gas day Aug. 13 due to high temperatures. FGT will not interrupt previously scheduled market area interruptible transportation service-1 below the elapsed prorated scheduled quantity.

PG&E has issued a system wide operational flow order in effect for gas day Aug. 14 due to high inventory. Customers' supplies are required to be within a 5% tolerance requirement of daily usage to avoid the Stage 2 noncompliance charge of \$1/Dth.

TGP has lifted restrictions at Mainline Valve 355 and will accept nomination increases of 170,653 Dth. 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.

#### **ELECTRIC MARKET NEWS**

According to a Genscape report, U.S. coal use rose 1% week on week and was 6% greater than the same week last year. In the Eastern part of the U.S. coal use was up 3% from the previous week and up 9% from the same week last year. In the West, coal use fell 3% week on week but was 8% higher than the same week last year.

#### **ECONOMIC NEWS**

The US Labor Department reported that US consumer prices increased in July for the first time in four months due to higher energy prices. It said the seasonally adjusted consumer price index for July increased by 0.3% on the month. Consumer prices had previously fallen by 0.1% in June, 0.2% in

#### **Generator Problems**

**MAPP-** Exelon Corp's 867 Mw Quad Cities unit 1 ramped up to 99% early Friday, while Unit 2 was at 83%.

**SERC-** TVA has fixed a small leak in the containment at the 1,105 Mw unit 3 at the Browns Ferry nuclear power plant in AL and started to return the unit to service.

Duke Energy Corp's 846 Mw Unit 1 Oconee nuclear power plant in SC returned to full power by early Friday from 58% early Thursday.

**ERCOT-** Luminant planned to shut its 750 Mw Unit 3, Martin Lake coal-fired power plant in TX on Aug.13-14 to fix a boiler tube leak. The company did not say when the unit would return to service.

**NPCC-** OPG shut its 490 Mw Unit 1 Nanticoke coal-fired power plant in Ontario early Friday. No reason was given.

**The NRC reported this morning that some 94,850 Mw of nuclear generation was operating today, down 0.72% from yesterday and down 0.50% from the same day a year ago.**

May and 0.1% in April. It reported that the core consumer price index, excluding energy and food prices, increased by 0.1%.

The US Commerce Department reported that US retail sales increased for the first time in three months during July. It said sales increased 0.4%, which was on par with expectations. Separately, the Commerce Department said US business inventories increased more than expected in June, however a decline in sales amid a soft economy suggest the growth in inventories was involuntary. Inventories increased 0.3% on the month to a seasonally adjusted \$1.36 trillion. Consumers purchasing less in June sent sales down by 0.6% to \$1.08 trillion. The inventory to sales ratio in June was 1.26, up from a revised 1.25 in May.

According to the Federal Reserve Bank of Philadelphia's survey, the US economy is likely to grow more slowly than previously expected in the third quarter as it is hampered by weak conditions in the labor market. The survey showed that 36 forecasters see the economy growing at an annual rate of 2.3% this quarter, down from the previous estimate of 3.3%. The unemployment rate is expected to average 9.6% this year, in line with the previous estimate. However the rate for 2011 was raised to 9.2% from a previous estimate of 8.9%.

The Thomson Reuters/University of Michigan's Surveys of Consumers showed that US consumer sentiment increased in early August from July. However consumers see little improvement in the economy ahead. The overall index on consumer sentiments increased to 69.6 from 67.8 in July. The survey's barometer of current economic conditions increased to 78.3 in August from 76.5 in July.

### **MARKET COMMENTARY**

The natural gas market posted yet another inside trading day but ended slightly higher on the day. It traded lower to \$4.269 as it attempted to test its support at its previous low of \$4.264. The market however bounced off that level and settled in a sideways trading pattern for much of the day. It later rebounded on some late buying ahead of the weekend that pushed it to a high of \$4.342. The natural gas market settled up 3.2 cents at \$4.328.

The natural gas market, which settled in a tight range for much of the week, will continue to see its gains limited by the moderating short term weather forecasts and no major developments on the storm front. The market is seen finding support at \$4.285, \$4.257, \$4.243 and \$4.216 while resistance is seen at \$4.354, \$4.376, \$4.381 and \$4.423.

The Commitment of Traders report showed that non-commercials in the natural gas market in the week ending August 10<sup>th</sup> continued to cut their net long position by 16,886 contracts in the latest week to 6,870 contracts, on a combined futures and options adjusted basis. It also showed that commercials cut their net short position by 18,774 contracts to 41,986 contracts on the week. The disaggregated combined futures and options report showed that managed money funds increased their net short position by 35,390 contracts to 69,589 contracts.