



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR AUGUST 16, 2011

#### NATURAL GAS MARKET NEWS

##### North America

Tropical Storm Gert was located approximately 575 miles northeast of Bermuda as of 2:00PM EST on Tuesday. The storm is expected to continue to move northeast at 40 MPH. Elsewhere in the Atlantic, a tropical wave is also moving west stretching over the eastern Caribbean. There are currently scattered thunderstorms from Hispaniola to the Leeward Islands. The storm will continue to move west at 20 MPH and has a low, 20% chance of developing into a tropical storm in the next 48 hours.

##### Generation Outages

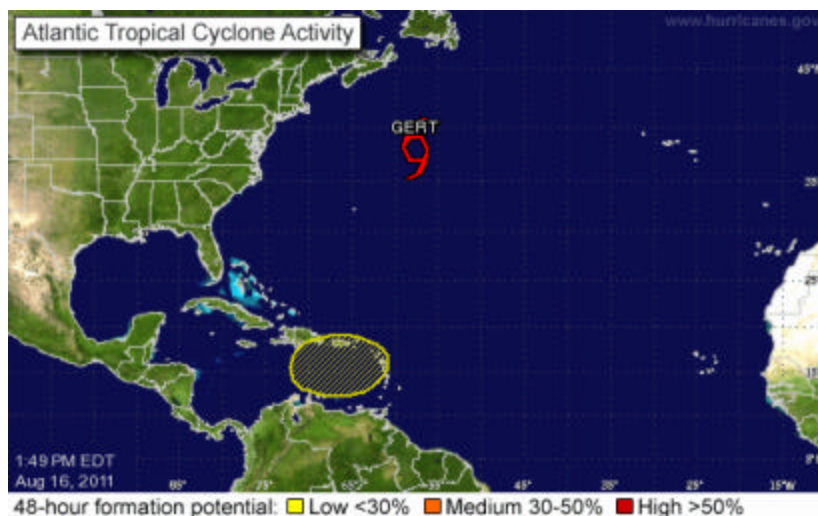
**RFC**- Duke Energy Corp's J M Stuart increased generator usage on Monday and was running at 1240 mw on early Tuesday. The total capacity for the plant is 2452mw. In addition the company's East Bend facility powered down overnight and is currently running near 400mw.

**SPP**- Xcel Energy's Harrington 1080mw capacity plant ramped up its generators on Monday but reduced power over night and was running at 520mw early on Tuesday. Oklahoma Gas and Electric Company's Sooner Coal plant ramped up its generators and is now running near 910mw or 79% total capacity. Wolf Creek Station, owned by Westar Energy, was forced to power down on Monday due to a contaminated turbine lube oil but has since fixed the problem and returned to operating at full capacity.

**ERCOT** South Texas Unit 2, owned by Center Point Energy has continued to increase power overnight and is currently running at 45% of total capacity.

The NRC reported this morning that some 94,886 Mw of nuclear generation was online, up 0.40% from yesterday and up 3.62% from a year ago.

The natural gas that leaked into the Missouri River in Iowa from the Enterprise Products Partners pipeline cannot be recovered according the EPA. The EPA said that the gas has already either dissipated or evaporated.



While the EPA was concerned for the environmental implication of the leak they said it was a good sign that there is still no sign of fish being killed by the leak. The cause of the pipeline leak is still undetermined as Enterprise contracts will go into the river and try to find the source of the leak.

Exxon Mobile and Alaska have reached a 'resolution in principle' in the long-standing lawsuit over the development of the Point Thomson gas fields. A settlement could be the

final step before building a pipeline that runs from Alaska to the continental US.

El Paso Corp's 680-mile natural gas pipeline named Ruby that stretches from Wyoming to the Oregon-California boarder has started to change the dynamics of the gas market in the western United States. The region used to receive more than 95% of its natural gas from Canada before Ruby opened in late

July. Now the pipeline can supply 1.5 bcf/d or 15% of the region's total demand causing a decrease in demand of Canadian natural gas.

### **International**

Iraq's gas deal with Shell and Mitsubishi is expected to be able to extract 2 bcf/d from Iraq's southern gas fields. The deal still needs final approval from the government in Baghdad. The 25-year deal will cost \$17.2 billion as opposed to the previously announced \$12 billion; Shell will use \$4.4 billion of these funds to build a LNG facility. Iraq estimates it will be able to make \$31.1 billion over the 25-year agreement through tax revenue, exports, and fees.

China's Sinopec Corp plans to build a 6-bcm natural gas processing plant has been scaled down to 3.4 bcm due to a review of the resource base. The firm expects to have a capacity of 1.7 bcm at the Yuanba field by the end of 2013 and a capacity of 3.4 bcm by the end of 2015. China is currently trying to triple its lower-carbon fuel to make it 10% of all energy needs by 2020.

Chiyoda Corp. won the engineering and design contract for Australia's Arrow Energy LNG export project. Arrow Energy is a split venture between Shell and PetroChina that plans to build an 8 million tonnes per year LNG terminal in Gladstone in addition to other LNG export projects throughout Australia. The Arrow Energy's LNG plant will have the potential to expand to 16 million tonnes per year and will be the fourth LNG project in the Gladstone region so it will face stiff competition for labor and resources.

<b>Natural Gas Cash Market</b>						
ICE Next Day Cash Market						
	<b>Volume</b>	<b>Avg</b>	<b>Change</b>	<b>Basis</b>	<b>Change</b>	<b>Basis 5-Day</b>
<b>Location</b>	<b>Traded</b>	<b>Price</b>		<small>(As of 12:30 PM)</small>		<b>Moving Avg</b>
<b>Henry Hub</b>	858,100	\$4.033	(\$0.020)	\$0.096	\$0.102	\$0.053
<b>Chicago City Gate</b>	773,500	\$4.088	(\$0.011)	\$0.151	\$0.091	\$0.111
<b>NGPL- TX/OK</b>	761,000	\$3.961	(\$0.011)	\$0.024	\$0.091	(\$0.023)
<b>SoCal</b>	719,800	\$4.170	\$0.038	\$0.233	\$0.140	\$0.114
<b>PG&amp;E Citygate</b>	901,100	\$4.329	\$0.044	\$0.392	\$0.146	\$0.263
<b>Dominion-South</b>	845,300	\$4.087	(\$0.024)	\$0.150	\$0.078	\$0.104
<b>USTrade Weighted</b>	19,171,000	\$4.052	(\$0.000)	\$0.115	\$0.10	\$0.053

### **ELECTRIC MARKET NEWS**

Texas power grid operators have signed agreements to make an additional 400 mw of power available to reduce the risk of rotating outages caused by the states continued heat wave. ERCOT has signed agreements with NRG Energy Inc. and Garland Power and Light Co. to restart four 'mothball' units through October. ERCOT officials fear that without rainfall there will be an increase in outages due to power plant cooling water issues.

South Korea's increased total power sales in July by 4.9% from a year earlier to 37.3 billion kilowatt hours. Industrial demand let the way accounting for 21.6 billion kilowatt hours, up 8.7% from last year.

### **ECONOMIC NEWS**

Fitch Ratings affirmed the US's credit rating at AAA and said the outlook for the rating was stable.

The US Federal Reserve said US industrial production increased in July by 0.9% following a revised 0.4% increase in June. It also reported that industries used 77.5% of their capacity compared with a revised 76.9% in June.

The US Commerce Department said US home construction fell slightly in July. US housing starts in July fell by 1.5% on the month to a seasonally adjusted annual rate of 604,000. Total housing starts for June were revised down to an annualized pace of 613,000. Housing starts increased 10.8% in June.

The Labor Department said US import prices increased in July as both fuel and non-fuel costs increased. The price of goods imported to the US increased by 0.3% in July. Import prices however fell by 0.1% in the past three months as world energy prices came off their peaks. It reported that import fuel prices increased 0.4% in July following a 2.1% decline in June. Petroleum import prices increased 0.6% on the month.

The Euro zone economy slowed sharply in the second quarter, mainly due to sluggish growth in Germany and stagnation in France. The Eurostat agency reported that the 17-nation Euro zone grew by just 0.2% on the quarter, slightly under forecasts and well below the first quarter's growth of 0.8%. Germany's GDP growth fell to 0.1% in a seasonally adjusted basis from a revised 1.3% in the first quarter. France's economy stagnated in the second quarter while the region's high debtors particularly Greece, Italy, Spain, Portugal and Ireland saw little or no growth.

### **Market Commentary**

The natural gas market fell for the third consecutive day on Tuesday as extended weather forecasts for the Northeast and Midwest continued to moderate. The market posted its high of \$4.042 in overnight trading before it continued to trend lower. It traded to a one week low of \$3.903 in afternoon trading. The natural gas market retraced some of its losses and settled down 9.2 cents at \$3.932.

Private weather forecaster MDA EarthSat said that while hotter than normal temperatures linger in Texas and the West, temperatures in the Midwest and Northeast should trend toward the cooler side over the next two weeks. Given the lack of any supportive weather forecasts, the market will look to the tropics for potential supply disrupting storms. However current forecasts also show little potential for a threatening storm to disrupt production in the Gulf anytime soon allowing the market to test its previous lows. The market is seen finding support at its low of \$3.903, \$3.888, \$3.876, \$3.85 followed by \$3.82 and \$3.737. Resistance is seen at \$3.95, \$4.00, \$4.015 followed by \$4.098 and \$4.154.