



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino

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

[www.e-windham.com](http://www.e-windham.com)

### NATURAL GAS & POWER MARKET REPORT FOR AUGUST 18, 2011

#### NATURAL GAS MARKET NEWS

##### North America

A tropical wave about 200 miles east-northeast of Cape Gracias a Dios Nicaragua continues to show signs of centralization. The storm has an 80% chance of developing into a tropical cyclone in the next 48 hours as it moves westward. The current forecasts show the storm will hit the Yucatan or Central America this weekend. In addition, another storm system has been spotted halfway between the Cape Verde Islands and the Lesser Antilles that continues to produce showers.

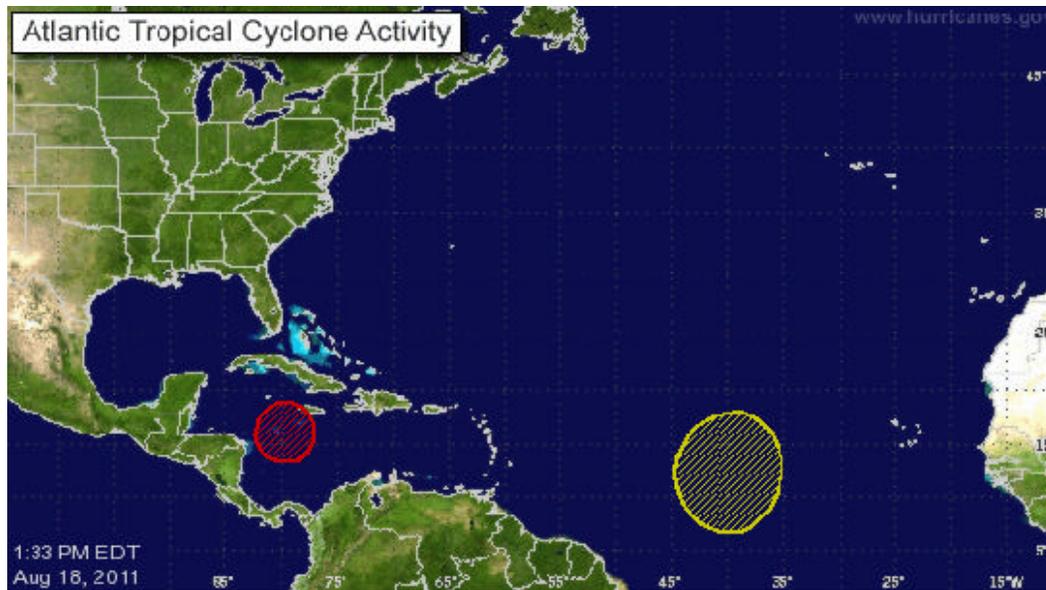
##### Generation Outages

**ERCOT** - The 347mw Unit 2 at Harrington coal-fired plant in Texas is expected to shut down in order to do maintenance to fix a tube leak. The Xcel Energy Inc plant released a statement saying the work would be occur from August 18 through August 25.

**MRO** - NextEra Energy Resources LLC's Duane Arnold started to increase power overnight and was running at 17% capacity early Thursday morning. Xcel Energy's Black Dog ramped up generators on Wednesday but had to power down to 160mw of the 668mw total capacity on Thursday.

**WECC** - PPL Generation's Colstrip started to power down on Thursday and was running near 1780mw of the 2272mw total capacity. Wyodak, owned by PacifiCorp East ramped up its generators overnight.

The NRC reported this morning that some 95,115 Mw of nuclear generation was online, up 0.06% from yesterday and 2.03% from a year ago.



Significant development is not projected for several days as the wave is still dealing with dry Saharan air. There is only a 10% chance of developing into a tropical cyclone in the next 48 hours. The storm system has the ability to make landfall in the United States in 10-12 days based on current projections.

Consol Energy Inc. has agreed to sell half of its holdings in the Marcellus Shale to Noble Energy for \$3.4 billion. The agreement will give Noble Energy 663,350 acres in the Marcellus Shale across areas Pennsylvania and West Virginia.

DCP Midstream Partners announced approval of the Sand Hills Pipeline from Permian to the Texas Gulf Coast. The 720 mile 20 inch pipeline is expected to provide an initial capacity of 200,000 bbl/d of

### EIA Weekly Report

	08/12/2011	08/05/2011	Change	08/12/2010
<b>Producing Region</b>	953	961	-8	956
<b>Consuming East</b>	1466	1418	48	1570
<b>Consuming West</b>	414	404	10	482
<b>Total US</b>	2833	2783	50	3008

NGL, which can expand to 350bbl/d of NGL. The project is expected to have service as early the second quarter of 2013 but will not be phased into service until the third quarter of 2013.

Enterprise says that it will only take three weeks to make repairs to the pipeline that leaked into the Missouri River in Iowa on Saturday once it receives regulatory approval.

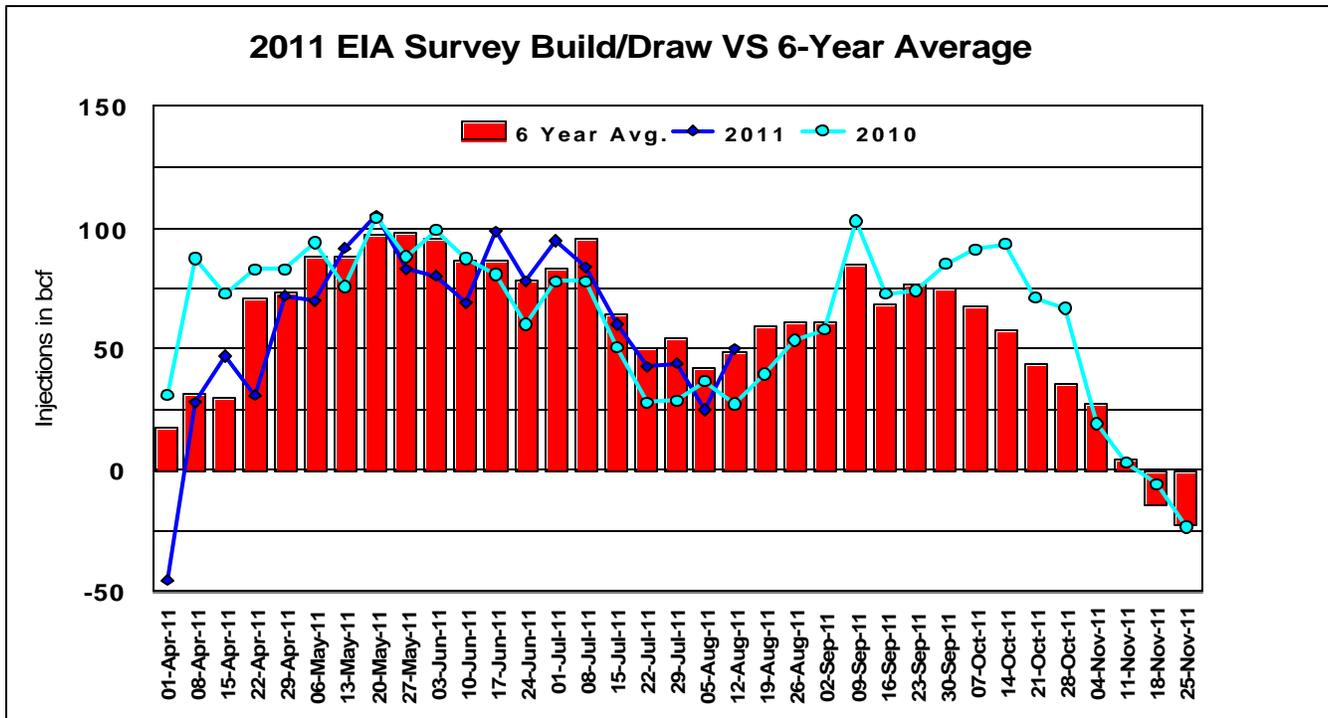
### International

Asia's demand for LNG has caused a tripling of LNG tanker hire rates within the last year. Further increases are expected this year spurred by demand from Norway, Sweden and Greece. Shipyards have already hit capacity for 2013 delivery and are facing more orders for 2014-2015, when many expect demand to peak.

The negotiations between China and Russia for a natural gas pipeline are expected to conclude by the end of the year. The deal is expected to either come when the Russian prime minister visits China in October or after Russian parliamentary elections in December.

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	562,000	\$3.982	\$0.006	\$0.074	\$0.065	\$0.068
Chicago City Gate	670,400	\$4.068	\$0.038	\$0.160	\$0.093	\$0.111
NGPL-TX/OK	694,700	\$3.941	\$0.026	\$0.033	\$0.082	(\$0.015)
SoCal	686,200	\$4.162	\$0.006	\$0.254	\$0.061	\$0.169
PG&E Citygate	937,000	\$4.291	(\$0.014)	\$0.383	\$0.041	\$0.322
Dominion-South	911,100	\$4.033	\$0.022	\$0.125	\$0.077	\$0.099
USTrade Weighted	19,005,600	\$4.021	\$0.010	\$0.113	\$0.06	\$0.068

MISC Berhad has awarded a contract to Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) to convert the SS Tenaga Satu LNG carrier into a floating storage unit (FSU) facility. When the project is complete the tanker will be called the FSU Lekas and it will be moored at Malaysia's first regasification terminal in Sugai Udang, Melaka.



LNG TANKER	CAPACITY (cubic meters)	Expected Arrival	From	Destination
Mozah	266,000	August 19, 2011	Qatar	South Hook, Britain
Al Mafyar	266,000	August 22, 2011	Qatar	South Hook, Britain
Lusail	146,000	August 22, 2011	Qatar	Zeebrugge, Belgium
Al Aamriya	210,000	August 23, 2011	Qatar	Isle of Grain, Britain
Al Mayeda	266,000	August 25, 2011	Qatar	South Hook, Britain
N/A	266,000	September 1, 2011	Qatar	Rotterdam, Netherlands

Noble Energy, a US firm, will start exploratory drilling for natural gas off the Cyprus in October. Cyprus is trying to reduce its dependence on heavy fuel oil firing. A US Geological survey last year estimated that the Levant Basin Province lying off the coast of Israel, Lebanon and Cyprus could hold 3.4 trillion cubic meters of recoverable gas.

Sweden's Nordic LNG/Skangass has signed a deal with Uddeholmd, one of the world's leading steel producers to provide Uddeholmd with 12,000 tons of natural gas a year starting in 2012 after the LNG receiving terminal in Hagfors opens at the end of 2012.

LNG traffic in the Suez Canal increased in July after a drop off in June. However, the 42 vessels going north was less than the 46 vessels that made the same trip in both April and May. The average cargo size decreased for the second straight month falling to 196,500 cubic meters. Southbound voyages also saw an increase to 8 shipments in July compared to 5 shipments in June.

#### **ELECTRIC MARKET NEWS**

	Canadian Gas Association Weekly Storage Report		
	12-Aug-11	05-Aug-11	13-Aug-10
East	160.6	155.3	170
West	327.4	315.1	343.8
Total	488.1	470.3	513.8

Electricity prices in the eastern United States and Canada for delivery were steady to higher on Thursday do to a strong demand from the Midwest. In Texas, the next-day power increased by nearly \$70 to \$120-130 per mw. This is a result of the drought and extreme heat that Texas and other Midwest states are currently dealing with.

#### **ECONOMIC NEWS**

The US Labor Department said inflation resumed its climb in July as gasoline prices rebounded and food costs continued to increase. The Consumer Price Index in July increased a seasonally adjusted 0.5% on the month. It followed a 0.2% decline from May to June, when lower prices for gasoline helped inflation decline for the first time in a year. The core CPI, excluding energy and food, increased by 0.2% in July. It reported that energy prices increased by 2.8% in July after falling by 4.4% in June.

The US Labor Department also reported that the initial jobless claims increased by 9,000 to a seasonally adjusted 408,000 in the week ending August 13<sup>th</sup>. Claims filed in the previous week were upwardly revised to 399,000 from an originally reported 395,000. The four week moving average of new claims fell by 3,500 to 402,500. The report showed the number of continuing unemployment benefit claims increased by 7,000 to 3,702,000 in the week ending August 6<sup>th</sup>. The unemployment rate for workers with unemployment insurance for the week ending August 6<sup>th</sup> was unchanged at 2.9%.

Factory activity in the US Mid-Atlantic region fell in August, falling to the lowest level since March 2009. The Philadelphia Federal Reserve Bank said its business activity index fell to minus 30.7 from positive 3.2 in July.

The National Association of Realtors said US existing home sales in July unexpectedly fell by 3.5% to 4.67 million units. June's sales were upwardly revised to a 4.84 million unit rate.

The Conference Board index of leading indicators increased by 0.5% to 115.8 while the coincident index increased by 0.3% to 103.3 and the lagging index increased by 0.2% to 110 in July.

### **Market Commentary**

The natural gas market traded mostly sideways in overnight trading ahead of the release of the EIA Storage Report. It however posted an outside trading day as it rallied to a high of \$3.996 just prior to the release of the report and quickly fell to a low of \$3.843. It posted a low not seen since mid-March, in light of a larger than expected build in natural gas stocks of 50 bcf. The build was slightly over the expected 48 bcf build and last year's 28 bcf injection. It also exceeded the five year average build of 43 bcf. The market sold off on the report despite slightly more bullish weather forecasts and a storm that is brewing south of the Gulf of Mexico. Accuweather expects Northeast and Midwest temperatures to average slightly above normal next week. EarthSat also said extended weather forecasts had turned warmer for the Northeast and Midwest. The market bounced off its low ahead of the close but still settled in negative territory, down 4.1 cents at \$3.892.

The natural gas market will likely continue to retrace today's losses ahead of the weekend. The market will continue to look for further development of the tropical wave located south of the Gulf of Mexico, although the computer models show the system moving towards the Yucatan or Central America. The market is seen finding support at \$3.90, its low of \$3.843, followed by \$3.825, \$3.757 and \$3.672. Resistance is seen at \$3.95, \$3.978, \$3.996 followed by \$4.042, \$4.063, \$4.131 and \$4.143.