



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 23, 2010**

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

The US National Hurricane Center said Tropical Storm Danielle, which formed over the open Atlantic on Sunday, strengthened to become the second hurricane of the Atlantic season on Monday afternoon. Hurricane Danielle was located 1,320 miles east of the Lesser Antilles with wind speeds increasing to minimal hurricane strength of about 75 miles per hour from 65 mph earlier. Danielle was moving west northwest, with all computer models still showing the system steering in a more northwesterly direction towards Bermuda.

Private weather forecaster, Weather Services International (WSI) said most of the US will experience a warmer than normal fall this year, which could curb early season heating demand. For September through November, WSI forecasts a 3% drop in gas-weighted heating degree days against last year to 901, which is a 9% fall on the 1971-2000 mean.

Three LNG tankers are due to arrive in Britain and Belgium over the next couple of weeks. The 266,000 cubic meters, Al Mayeda tanker was due to arrive at Britain's South Hook on Aug. 28, while the 216,000 cubic meter Al Thumama was set to arrive at the Isle of Grain on Sept. 5. The 154,200 cubic meter Trinity Glory was set to arrive at Belgium's Zeebrugge terminal on Sept. 5.

Nigerian LNG tanker, The LNG IMO, has arrived in Brazil, after being rerouted away from Britain. The vessel, which can carry around 148,000 cubic meters of super cooled gas, had previously been scheduled to deliver its cargo to Britain's Dragon LNG terminal on Monday but was rerouted to Brazil in early August.

Qatar's Rasgas announced on Monday that it had sent its first spot cargo of LNG to Portugal's Sines LNG terminal the amount of delivered LNG was not specified nor was the value of the sale.

Norwegian gas plant and pipeline operator, Gassco is looking into the financial benefits of exporting more gas by ship instead of underground pipelines as new finds move northward and away from existing infrastructure. Gassco's chief of commercial development cited technological challenges in

#### **Generator Problems**

**NPCC-** OPG's 515 Mw Unit 1 nuclear power plant shut by early Monday. No reason was given. Separately, OPG's 881 Mw Unit 4 at the Darlington nuclear power plant returned to service by early Monday after an outage of more than two weeks.

**MAAC-** Entergy's 852 Mw Fitzpatrick nuclear power plant in NY slipped to 55% power as of early Monday. The unit was at 77 % of capacity on Friday.

**MAPP-** Exelon's 867 Mw Unit #2 nuclear power plant is at full capacity early Monday after shutting last Tuesday due to a recirculation pump trip. Separately, the 2,330 Mw Braidwood nuclear power plant's Units 1 and 2 were restarted early Monday after shutting due to a possible electrical fault last Monday. Unit 1 was at 86% and unit 2 was at 48%.

**SERC-** Energy's 995 Mw Unit 2 at the Arkansas Nuclear One power plant was in the process of powering down early Monday. The unit was shut due to a planned emergency diesel generator outage that had exceeded the allowed time of 14 days.

**The NRC reported this morning that some 95,355 Mw of nuclear generation was operating today, up 2.45% from Friday and up 0.40% from the same day a year ago.**

deep water, waves, high temperatures and pressures in the reservoirs in addition to large distances between gas discoveries as a reason to use shipping as an alternative.

Shareholders at Nabucco have decided to build two feeder lines for its gas project to Turkey's borders with Georgia and Iraq, but have opted against a link to Iran due to the political situation. The gas project was initiated in order to reduce Europe's reliance on Russian gas. The project, which is planned for 2014, is expected to transport up to 31 billion cubic meters of gas a year from the Caspian region to an Austrian gas hub via Bulgaria, Romania, Turkey and Hungary. With Iran being hit with a fourth round of UN sanctions in June, international business activities have been restricted. Some analysts feel that Nabucco will not be able to fulfill total capacity without supplies from Iran, the world's second largest reserves.

### **PIPELINE MAINTENANCE**

Effective gas day Aug. 24, Panhandle Eastern Pipe Line will be performing hydrostatic testing on the Glenarm 400 line. During the work, the Glenarm 400 Line from Gate Valve 403 to Gate Valve 406 will be taken out of service for approximately eight days. Starting Aug. 24, nominations will not be accepted at NGPL-Moultrie county and Illinois Power-Moultrie County.

### **PIPELINE RESTRICTIONS**

Effective intraday cycle 1, for gas day Aug.23, due to reduced nominations, TGP will accept increases for nominations of 95,000 Dth pathed for delivery to the Rivervale delivery meter. Customers are reminded that previously restricted nominations must be lifted in order for increased volumes to be scheduled.

### **ELECTRIC MARKET NEWS**

According to a Genscape report, U.S. power output for the week ended Aug. 19 fell 2.5 percent from the prior week and 0.4 percent from the same week last year. This decrease was attributed to economic conditions and its impact on demand.

### **MARKET COMMENTARY**

September natural gas traded lower today amid a lack of supportive fundamentals. Tropical Storm Danielle, which reached hurricane status late this afternoon, is not expected to reach the Gulf of Mexico. Predictions for milder weather coupled with ample supply, have cast a shadow over this market and dimmed hopes of increasing demand. Supply is thought to be sufficient enough to sustain itself against any lingering heat ahead of winter heating demand as the market approaches stock building season.

Prices may rebound a bit, possibly up to the \$4.186 level prior to succumbing to additional pressure. There is significant support at \$3.986 and \$3.855. Minor resistance is set at \$4.16, \$4.202 and \$4.228, but with more significant resistance points of \$4.375, \$4.452, \$4.558 and \$4.664.