



## ***ENERGY RISK MANAGEMENT***

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## **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 26, 2009**

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### **NATURAL GAS MARKET NEWS**

The US National Hurricane Center said Tropical Storm Danny formed on Wednesday east of the Bahamas. The storm is expected to strengthen into the season's second hurricane later in the week. Several forecast tracks so far show Tropical Storm Danny remaining east of the US and away from Gulf Coast oil and gas production. Accuweather said the system could impact the East Coast late Friday into the weekend.

In economic news, the Commerce Department reported that demand for durable goods rebounded sharply in July, with the largest gain in two years due to large orders for plans and capital goods. Manufacturers' orders for durable goods increased by 4.9% in July to a seasonally adjusted \$168.43 billion. Overall durable goods orders for June were revised up, estimated to have declined by 1.3% instead of the 2.2% decline previously reported.

Separately, the Commerce Department said sales of single-family homes increased by 9.6% to a seasonally adjusted annual rate of 433,000 compared to the prior month. However year on year, July new home sales were still down 13.4%. June new home sales were revised up to annual rate of 395,000, up 9.1%. The median price for a new home was \$210,100 in July, down 11.5% from \$237,300, the same month a year ago.

GDF Suez's LNG tanker, Suez Everett, is expected to arrive at the Everett terminal in Boston from Egypt on Sept. 12. The 138,028 cubic-meter tanker was last seen on Wednesday about 100 miles from the Egyptian coast, heading west.

Russian LNG tanker, the Grand Elena has been diverted to India from Kuwaiti terminal Mina Al-Ahmadi. The tanker, which had been anchored off the Kuwaiti coast since the beginning of August, was seen on Tuesday heading away from Kuwait, with the Hazira terminal in India logged as its destination. The diversion to Hazira could be linked to another ship, the Grandis, which was expected to go to Hazira from Belgium, but was seen changing its destination on Tuesday.

### **Generator Problems**

**SERC** – Wolf Creek's 1,116 MW reactor in Kansas ramped up to 92%, up from 48% on Tuesday. The unit was shut on Wednesday due to a turbine trip. At the time of the turbine trip, the unit experienced a momentary loss of offsite power.

**FRCC** – Progress Energy Inc's 860 MW nuclear Unit 3 at the Crystal River power station in FL was restarted on Aug. 26. The unit was manually tripped off line from full power on Aug. 24.

**MAAC** – Exelon's 636 MW Oyster Creek nuclear reactor in NJ was reduced to 78% capacity from 100% on Aug. 25. The unit was reduced due to a leak.

**The NRC reported this morning that 94,232 Mw nuclear generation capacity was on line, up 0.60% from Tuesday and down 2.32% from the same time a year ago.**

The Gracilis LNG tanker set sail from Caribbean gas producer Trinidad and Tobago on Wednesday for one of the two import terminals at Milford Haven in Britain. No expected date of arrival was given for the tanker, which as capacity to carry 138,830 cubic meters of the super-cooled gas.

Chevron Corp's Gorgon LNG project cleared its last major regulatory hurdle when Australia's environment ministry gave it the green light. This brings Chevron and its partners, Royal Dutch Shell Plc and Exxon Mbil Corp a step closer to a final decision on what would be Australia's largest ever resources development. Production in the amount of 2.25 million tons as already been sold to China's state-owned company, PetroChina.

A new pipeline to supply Russian natural gas directly to South Ossetia bypassing Georgia will be inaugurated in Takhinvali Wednesday, to mark the first anniversary of Russian recognition of the breakaway Georgian region's independence.

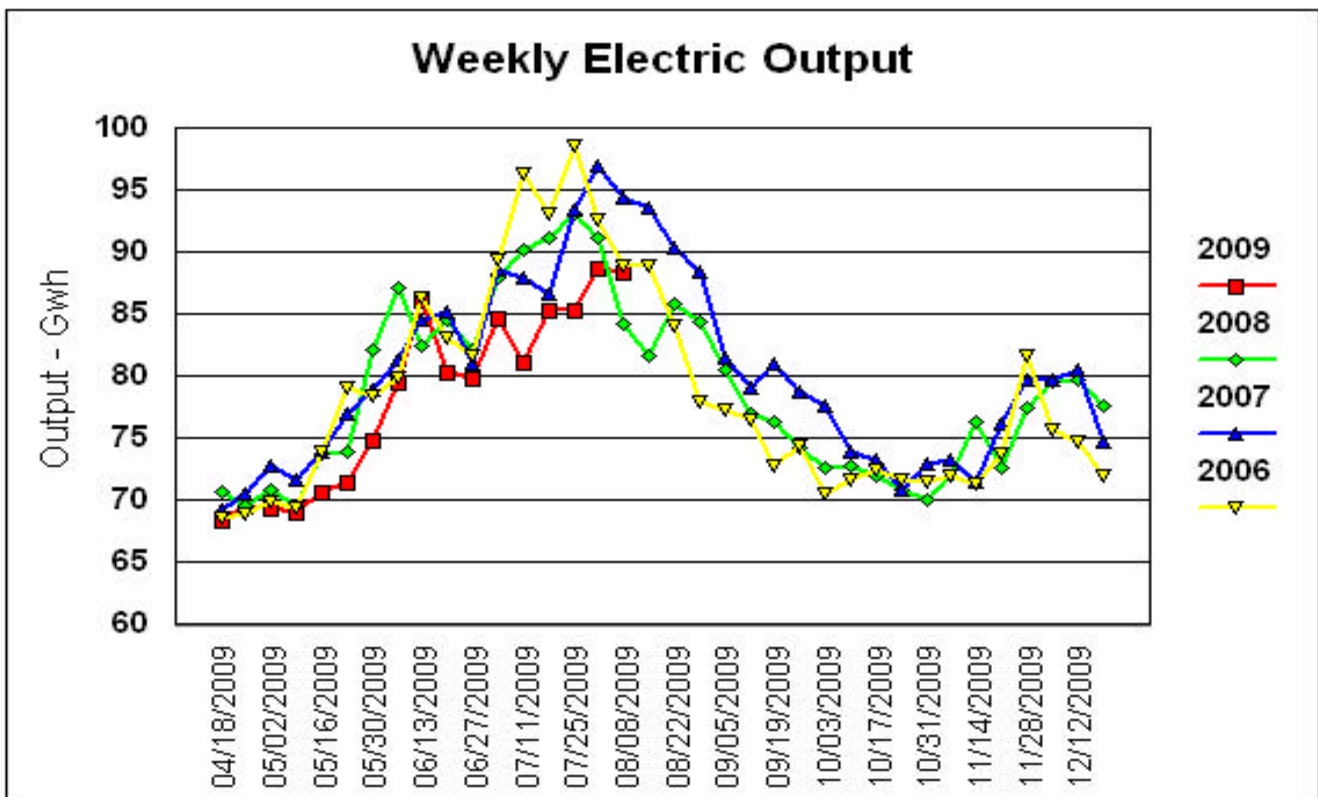
**PIPELINE MAINTENANCE**

Wyoming Interstate Gas Co. has revised the completion date for Elk Basin Compressor station work from Sept. 11 to Sept. 4. The maintenance, including unexpected piston repair and pipe support work, began on Aug. 21. Capacity through will vary during this outage.

Tennessee Gas Pipeline Co. has updated its expectations for repair work to the Ship Shoal 156/157 26-inch pipeline. Repair work, previously planned for the end of August is now expected to begin around Sept. 2. The installation of new pipe is to replace that portion of Tennessee's 26-inch pipeline that was damaged by a third party jack – up rig by Hurricane Ike.

**PIPELINE RESTRICTIONS**

Effective for gas day Aug. 26 and until further notice NGPL has limited capacity for gas going southbound through Segment 26 (C.S. 302) for deliveries eastbound into Segment 25 or southbound into Segment 22. Limited interruptible transportation service/authorized overrun and secondary out-of-path firm transports are available.



## **ELECTRICITY NEWS**

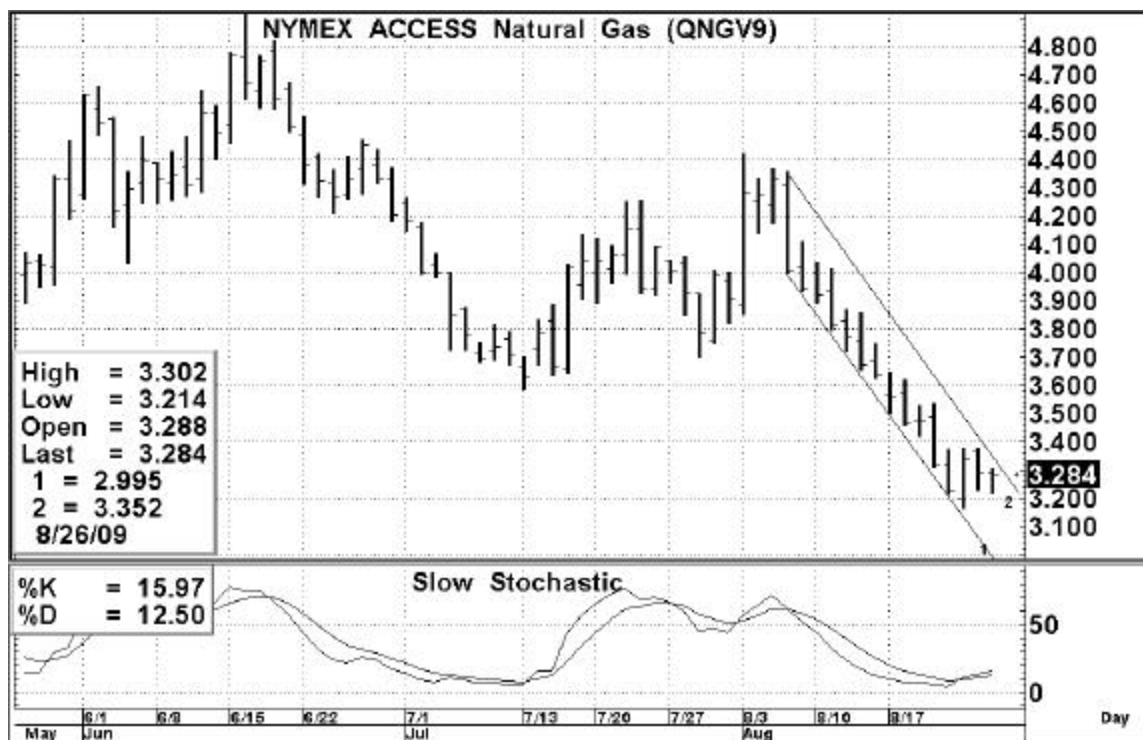
U.S. weekly power output for the week ended Aug. 22 climbed 2.9% to 88,513 gigawatt hours from the same week in 2008. It was the second consecutive weekly year-on-year gain following a string of six straight losing weeks.

## **MARKET COMMENTARY**

Yesterday's sell-off was extended during today's session as mild weather forecasts, soft cash prices, sinking demand and record high storage continued to pressure this market. Tropical Storm Danny, which has formed in the Atlantic, east of the Bahamas, poses no threat to the Gulf of Mexico. According to AccuWeather, temperatures in the Northeast and Midwest, key gas consuming areas, are expected to remain below normal for the next week or more, with highs ranging between the low - 70's and high-70's Fahrenheit. With the expiration of the September contract coming up, this market may see shorts take profits. We do not believe that natural gas will be able to sustain its moves to the upside given the aforementioned fundamentals. The October contract continues to trend within the \$3.352-\$2.995 descending channel, with moving oscillators crossed and pointing to the upside. We would look for prices to remain within the channel.

Market expectations for Thursday's EIA Natural Gas Storage Report range from a build of 44 bcf to a build of 59 bcf, with an average estimate of a 52 bcf build. For the same week a year ago, inventories build by 100 bcf while the five year average injection was 67 bcf.

Technically, the natural gas market is seen finding support at \$3.25, its low of \$3.214, basis the October contract. More distant support is seen at \$3.162 and \$2.995. Resistance is seen at \$3.302, \$3.352 followed by \$3.414.



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