



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 28, 2009**

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

According to Baker Hughes, the number of rigs searching for oil and natural gas in the US, increased by 14 to 999, in the week ending August 28<sup>th</sup>. The number of rigs searching for natural gas increased by 4 to 699 in the week ending August 28<sup>th</sup>, the sixth consecutive weekly gain.

The US National Hurricane Center is monitoring a tropical wave in the far eastern Atlantic Ocean that could strengthen into a tropical cyclone during the next 24 hours. The wave about 450 miles southwest of the Cape Verde Islands continued to show signs of organization and had a medium chance, about 30-50%, of becoming a tropical cyclone during the next couple of days. There are no forecast tracks for the tropical wave yet.

In economic news, the US Commerce Department reported that consumer spending in July

increased 0.2% on the month, the third increase in as many months. Durable goods spending increased 1.3%. It showed that personal income was unchanged in July compared with June. The price index for personal consumption expenditures, excluding food and energy, increased by 1.4% on the year after rising by 1.5% in June. The core PCE increased by 0.1% in July compared to June after climbing 0.2% in June.

The Commodity Futures Trading Commission said it will not publish its expanded Commitments of Traders Report on Friday. It previously stated that it would issue updated reports, which detail the positions held by large traders in commodity futures markets by the end of August. The new reports

#### **Generator Problems**

**WSCC** - PG&E Corp reported its 1,100 MW Diablo Canyon nuclear unit 2 in central CA was operating at 80% power on Aug. 28, up from 77% on Aug. 27. The unit just resumed full power late on Aug. 25 after being shut on Aug. 13 to perform an analysis of the reactor's main electrical transformer 'A' phase 500-kv bushing.

**ERCOT** - Luminant plans to restart the 565 MW unit 2 at the Monticello coal-fired power station in TX early Friday after a brief outage. The unit tripped on Thursday afternoon following the loss of a power control system fuse.

AEP plans to shut the 675 MW Pirkey coal-fired power station in TX Friday evening to perform maintenance on auxiliary equipment. The unit will shut after peak hour power demand on Friday.

**FRCC** - Progress Energy Inc's 860 MW nuclear Unit 3 at the Crystal River power station in FL was restarted on Aug. 26 and is now back at full capacity. The unit had been running at 77% on Thursday. 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 ramped up to 55% capacity from 50% on Aug. 27. The unit was reduced due to a leak from a six-inch pipe penetrating the turbine building.

Entergy Corp's 1,025 MW Indian Point 3 nuclear power unit in NY was shut early Friday after an automatic reactor trip due to a turbine trip. Separately, the 620 MW Vermont Yankee nuclear plant has resumed full power after being reduced to 85% from full power on Aug. 23 for control rod adjustment.

**The NRC reported this morning that 93,896 Mw nuclear generation capacity was on line, up 0.18% from Thursday and down 2.93% from the same time a year ago.**

would account for positions held by swap dealers from commodity producers and end users and separate hedge funds from other non-commercials.

The Grand Aniva and The Trinity Arrow LNG tankers, owned by Royal Dutch Shell are on their way to Kuwait's newly built Mina Al-Ahmadi LNG terminal on Thursday. The terminal is currently undergoing commissioning, which is expected to be completed by the end of August. Shell can then begin to offload cargoes there under a supply deal signed earlier this summer.

Taiwanese LNG imports in July were running about 928,000 tons, up from 863,00 in June. The increase in imports was due to peak power generation demand. Malaysia was the largest supplier, followed by Indonesia.

### **PIPELINE RESTRICTIONS**

Southern Natural Gas Co. has told shippers that based on weather forecasts showing temperatures to be slightly cooler and supplies and anticipated demand; it expects storage requirements to be close to firm injection entitlements for the weekend.

REX has limited capacity available for deliveries through Segment 650 effective gas day Aug 28 and until further notice.

### **PIPELINE MAINTENANCE**

Wyoming Interstate Gas Company said it will perform repairs on one of the meter runs at its Rio Blanco Meter Station on Sept. 1. Capacity will be reduced from 330.0 MMcf/d to 237.0 MMcf/d.

The Katy Storage interconnects 10509 and 10510 will be shut-in beginning at 9 am ET gas day Nov. 10 through gas day Nov. 16 for annual maintenance. Nominations will not be confirmed or scheduled during this period.

### **ELECTRICITY NEWS**

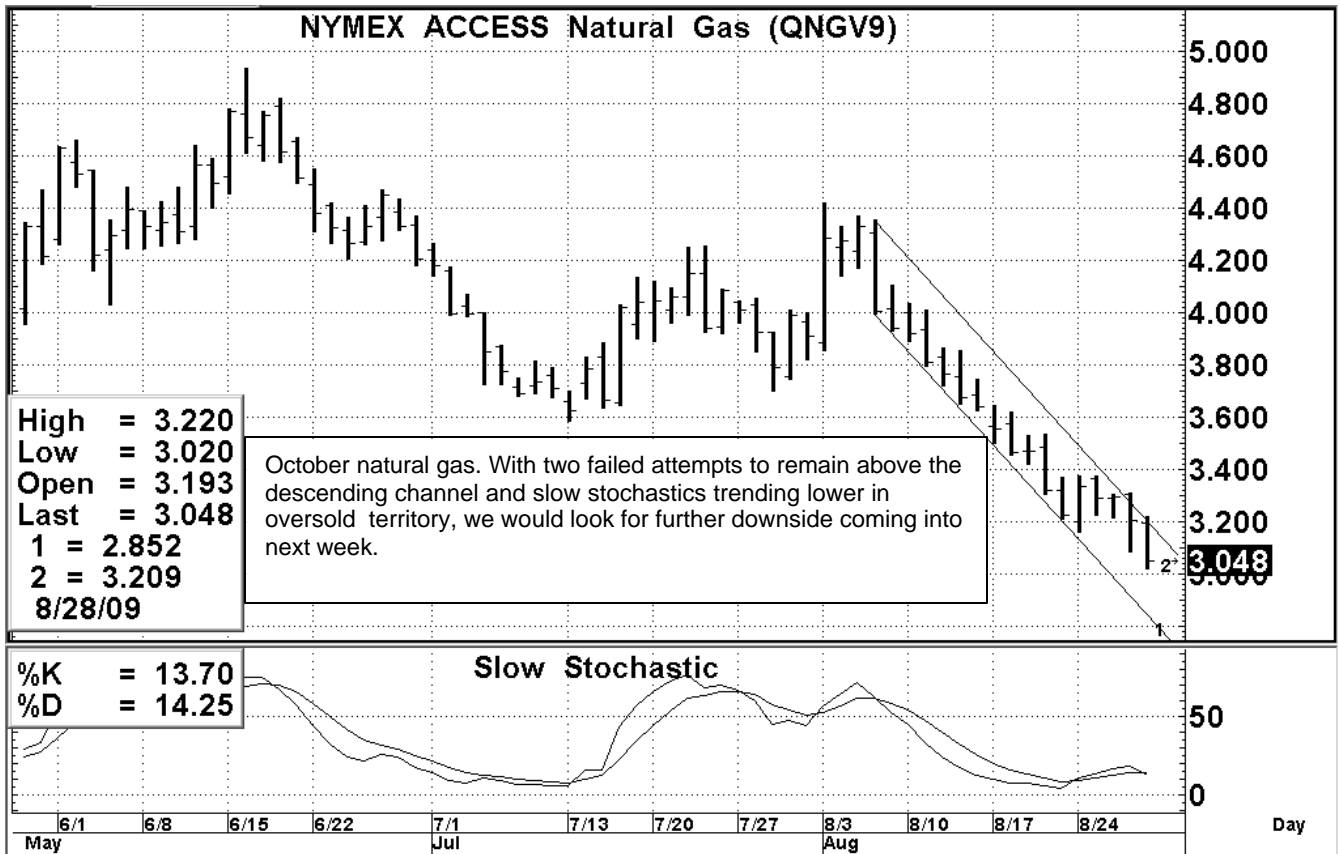
The EIA reported late Thursday that US coal production in the week ending August 22<sup>nd</sup> totaled 21.282 million short tons, up 1.82% on the week but down 8.62% on the year. Year to date production is 6.2% less than a year ago.

### **MARKET COMMENTARY**

Natural gas prices suffered another set back, pressured by mild weekend weather, sagging demand and stock levels that are near record levels. The spot month in natural gas has now reached 7 ½ year lows. The aforementioned fundamentals are making it very difficult to buy this market. There were two attempts today by the October contract to trade above the descending channel but prices failed to sustain strength. Those looking for a technical bounce on what appears to be an oversold market will have to wait until next week to see if prices can make a comeback. We would look for prices to continue to trend within the descending channel, working towards the bottom of the channel, which currently is set at \$2.7810.

Basis the October contract, resistance is set at \$3.158, \$3.21, \$3.268, \$3.349 and \$3.375. Support is set at \$2.977, \$2.867, \$2.655 and \$2.381.

The Commitment of Traders report showed that on a combined basis, non-commercials in the natural gas market cut their net long position by 3,477 contracts to 53,017 contracts in the week ending August 25<sup>th</sup>. Meanwhile, the commercials cut their net short position by 7,203 contracts to 105,850 on the week.



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