



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR AUGUST 30, 2010**

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

Hurricane Earl was upgraded to a Category 3 hurricane this morning and by this afternoon it had become a Category 4 storm as it was brushing the northern Leeward Islands and was expected to eventually head northwestward and then north and northeastward and brush up against the U.S. East Coast as the week progresses. The National Hurricane Center though continued to watch Invest 97-L which by this afternoon had become Tropical Storm Fiona 1000 miles east of the Lesser Antilles. While most of the long term models have this system either threatening the Southeast coast line or swinging back out to sea, the European ensemble guidance still has chance that this storm could find its way into the central Gulf of Mexico within 10 days.

The EIA released their latest Natural Gas Monthly Report today. It estimated that in June U.S. domestic production of natural gas posted its largest monthly decline since September 2009, falling by 0.9 bcf/d from June. Even with this decline though production was still 1.1% higher than the same month a year ago. The strongest production declines were recorded on Wyoming, Federal offshore waters and in New Mexico. Production gains though were recorded in Louisiana and in other producing states such as Pennsylvania in June over May. Louisiana continues to lead the production increases year on year as its

#### **Generator Problems**

**NPCC** – Dynergy's 538 Mw Danskammer coal fired power plant returned to service on Sunday but was still at only 24% power this morning.

OPG's 490 Mw coal fired Units #1 and #3 at the Nanticoke power plant returned to service early Monday. The units had been shut since August 26<sup>th</sup>.

**RFC** – AEP's 2620 Mw coal fired Gavin power plant ramped up its generators on Sunday and this morning was at 93% power this morning.

Constellation Energy's Calvert Cliffs #2 nuclear unit powered down over the weekend but had returned to full power on Monday morning.

PSEG's Hope Creek nuclear unit was cut by 6% over the weekend and was at 94% power.

Exelon's Peach Bottom #3 nuclear unit was powered down over the weekend due to a pump problem but has since returned to full power.

**SERC** – TVA's Browns Ferry #3 nuclear unit returned to full power Monday, the unit was at 68% power on Friday.

AmerenEnergy's Newton 1234 Mw coal fired unit powered down on Friday and was ramping back up today and was at 57% power this morning.

Progress Energy's 2594 Mw Roxboro coal fired power plant was powered down over the weekend and was at 39% power this morning.

**FRCC** - FPL's 693 Mw Turkey Point #4 nuclear unit was back at full power this morning after dropping to as low as 40% power on Friday.

**MISO** – Xcel Energy's 688 Mw Black Dog coal fired unit was at only 20% power this morning.

Dayton Power's 690 Mw coal fired Killen Station power plant ramped back up over the weekend and was at 88% power this morning.

Exelon's Quad Cities #1 nuclear unit was powered down over the weekend and was at 93% power this morning.

**SPP** – CLECO's 720 Mw coal fired Dolet Hills was shutdown Sunday night.

**WECC** – Xcel Energy's 729 Mw coal fired Cherokee power plant was at 66% power.

Pinnacle West's Four Corners 2269 Mw coal fired power plant ramped up their units over the weekend and was at 51% power this morning.

PacifiCorp East's 1472 Mw Hunter Emery tripped Sunday but was at 75% power this morning.

natural gas production was some 52% higher than June

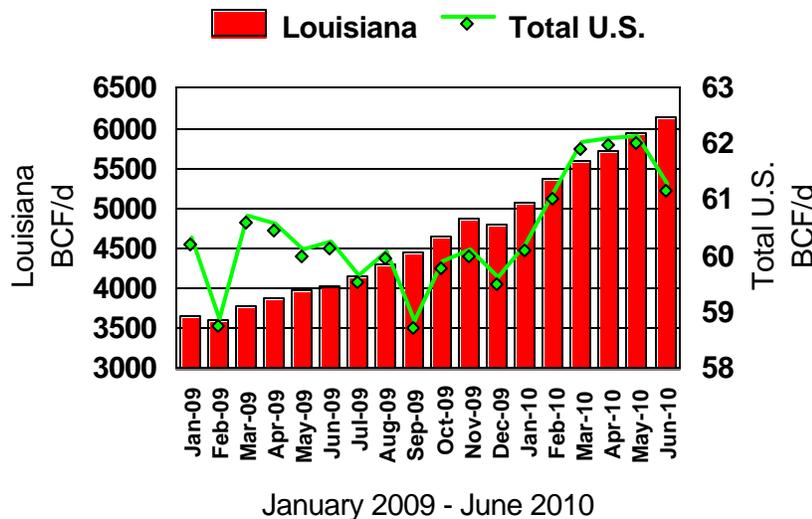
2009. Net imports of LNG while declining slightly in June by 0.11 bcf/d from May, total overall net imports stood at 7.1 bcf/d in June up 0.1 bcf/d from May. Consumption of natural gas was revised slightly lower in May by 0.1 bcf/d to 52.3 bcf/d and in June was estimated at 54.8 bcf/d, some 7.5% higher than a year ago. While residential and commercial demand in June was off 3.6% and 0.8% respectively from year ago levels, industrial and electric power sectors saw respective gains of 12% and 9.2% from June 2009. Working gas inventories at the end of June were estimated at 2.741 tcf, some 14 bcf higher than the weekly storage report has indicated.

**Generator Problems**

ERCOT – AEP's 690 Mw coal fired Oklaunion power plant tripped off line on Sunday but was back near full power Monday morning.

The NRC reported this morning that some \$,427 Mw of nuclear generation was operating today, up 0.3% from yesterday and up 0.5% from the same day a year ago.

**Louisiana Nat Gas Production Vs Total U.S. Nat Gas Production**



Norway's natural gas production fell to a preliminary 7.5 bcm in July from 8,5 bcm in June.

Iraqi Kurdish authorities were defending their deal signed with Germany's RWE to help them develop the region's gas resources. The Iraqi Oil Ministry released a statement on Sunday saying the deal, like oil deals that the Kurdish regional government has signed with international companies is illegal because Iraq's oil and gas resources are federal resources.

**ELECTRIC MARKET NEWS**

Genscape reported today that U.S. power output for the week ending August 26<sup>th</sup> fell 1.3% from

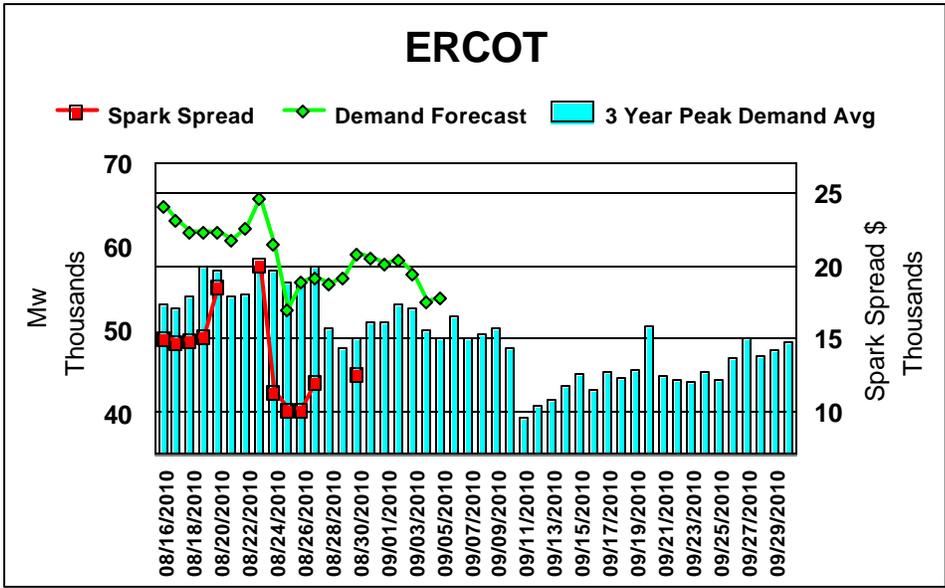
the prior week but was 2.9% higher than the same week a year ago.

**ECONOMIC NEWS**

The US Commerce Department said US consumers accelerated their spending in July however income growth remained low, a sign the economic recovery remains fragile. Consumer spending increased 0.4% in July after remaining

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	498,700	\$3.769	\$0.015	(\$0.066)	(\$0.056)	(\$0.141)
Chicago City Gate	464,800	\$3.782	\$0.091	(\$0.053)	(\$0.029)	(\$0.016)
NGPL- TX/OK	760,800	\$3.612	(\$0.001)	(\$0.223)	(\$0.121)	(\$0.111)
SoCal	415,400	\$3.440	(\$0.023)	(\$0.395)	(\$0.143)	(\$0.286)
PG&E Citygate	711,200	\$3.565	(\$0.037)	(\$0.270)	(\$0.157)	(\$0.196)
Dominion-South	489,000	\$3.940	\$0.108	\$0.105	(\$0.013)	\$0.104
USTRade Weighted	20,391,000	\$3.669	\$0.064	(\$0.166)	(\$0.06)	(\$0.141)

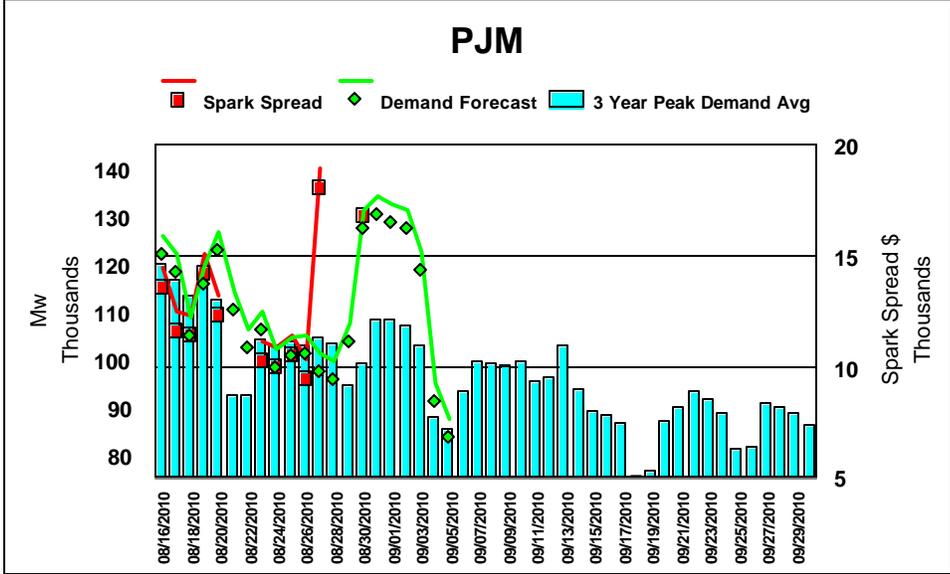
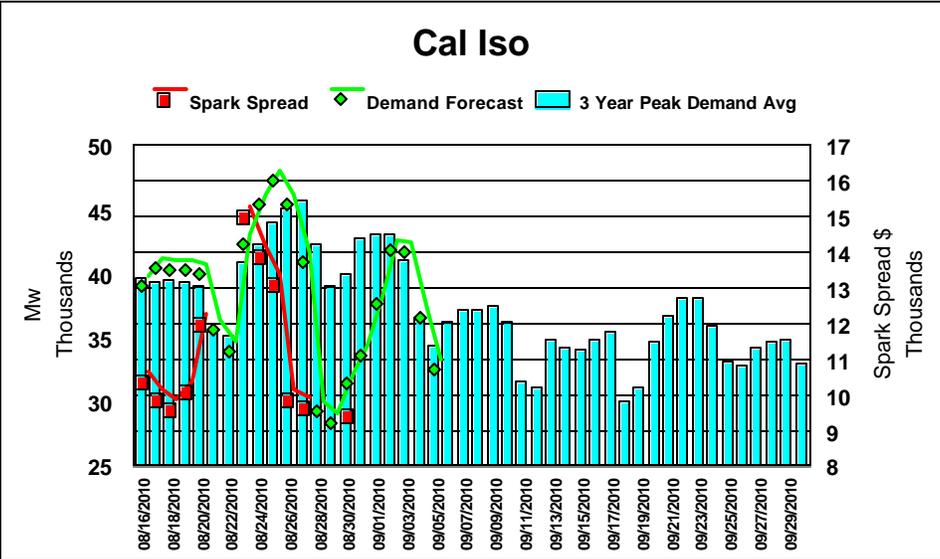
flat in June. Income increased less than expected, up 0.2% after remaining unchanged in June. The core price index for personal consumption expenditures, excluding food and energy, increased 0.1% in July from June. The overall PCE Price Index increased 0.2% in July.



**MARKET COMMENTARY**

The natural gas market basically tested Friday's trading range. Very early Monday morning the natural gas market tested the lows from Friday and moved only a few ticks through this level before finding support and gradually through the day rebounding by 10-15 cents. It appeared that tighter supply in Canada coupled with the short-term jump in expected cooling demand especially in ERCOT and PJM helped to stabilize

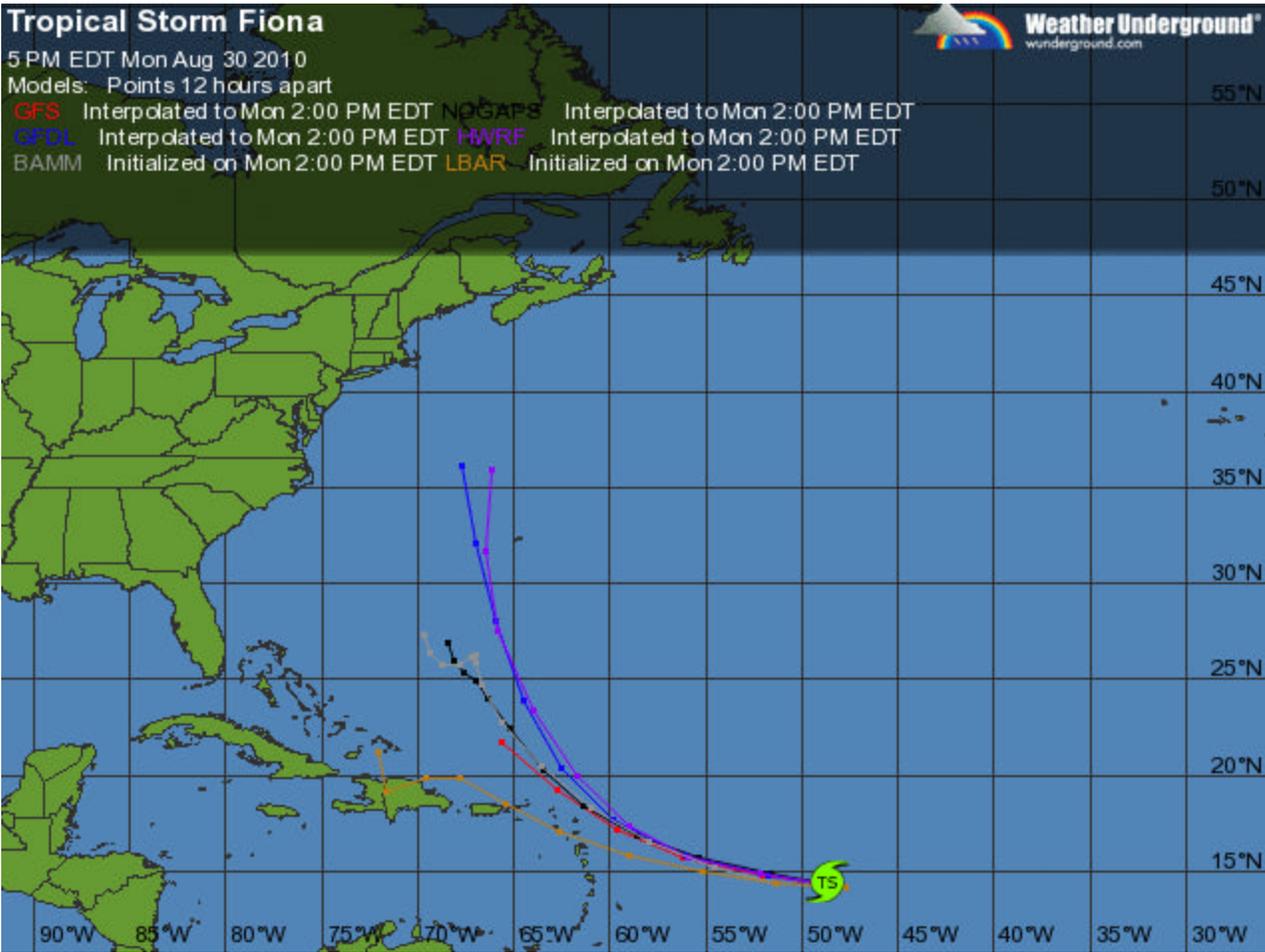
natural gas values. In addition it appears that the market finally took a breather technically as the October contract was in extreme over sold condition as daily stochastic indicators were in low single digit levels. While it appeared earlier today that Tropical Storm Fiona had an outside chance of being a tropical threat to the Gulf of Mexico, by this evening it appeared it was going to follow more in the footsteps of recent storms and curve



northward and at best only be a threat to the East Coast.

While this afternoon's EIA natural gas report estimated that domestic production posted a significant down turn in June, surprisingly the market took little solace in the figures and as a result we feel that without a tropical threat this market will have a hard time finding sustainable traction to the upside. We see significant resistance at

\$4.04 followed by \$4.105. Additional resistance we see at \$4.196, \$4.352 and \$4.507. Support we see at \$3.693, \$3,614 and \$3.50 and \$3.25.



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