



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 7, 2010

#### NATURAL GAS MARKET NEWS

Tropical Storm Hermine that sprang to life over the weekend came ashore early this morning on the northeast Mexican coast. The storm reportedly caused no disruption to U.S. oil and gas production in the Gulf of Mexico. Meanwhile forecasters continue to watch the remnants of Tropical Storm/Depression Gaston. This system remains just an area of disorganized showers and thunderstorms that is tracking across the Leeward Islands. Environmental conditions are barely favorable for development and as a result forecasters are assigning a 20% or less chance that this system could regenerate back into a tropical cyclone over the next couple of days as it tracks across the Caribbean. Private weather forecasters note that while this particular weather system may not come back to life it will help to lower pressures in the Caribbean resulting in the potential for some tropical development in the western and central Caribbean come this weekend. Forecasting models are focusing on a tropical disturbance currently tracking off the coast of Africa and another that should emerge off the coast of Africa later this week. The forecasting models are expecting that both of these systems could become named storms by the end of this week and or early next week. But due to the expectations for a weakening of the high-pressure ridge in the central Atlantic in coming days the probability is that these potential storms could turn northward before reaching the Leeward Islands. Private weather forecaster Joe Bastardi noted this morning that one of these two potential storms though could threaten the United States in two weeks. He also made note of the African wave train "heating up" and could produce at least three named storms over the next couple of weeks.

#### Generator Problems

**NPCC** – Entergy's 1025 Mw Unit #2 at the Indian Point nuclear power plant was shut early Tuesday for operators to repair a coolant pump motor.

OPG's 494 Mw Lambton #4 coal fired power plant was back in service today.

**SPP** – Entergy's 995 mw Unit #2 at the Arkansas Nuclear One power plant was back in full operation on Tuesday. The unit had been shut since August 24<sup>th</sup>.

**ERCOT** The coal fired Sandow Unit #4 was shut down for boiler reports and the unit was expected to be restarted on Wednesday.

Xcel Energy's 346 Mw Harrington #1 coal fired unit shut operations on Sunday and will remain off line until October 21<sup>st</sup> for the instillation of low NOx burners in the boiler.

**The NRC reported this morning that some 96,399 Mw of nuclear generation was operating today, basically unchanged from yesterday and up 1.9% from the same day a year ago.**

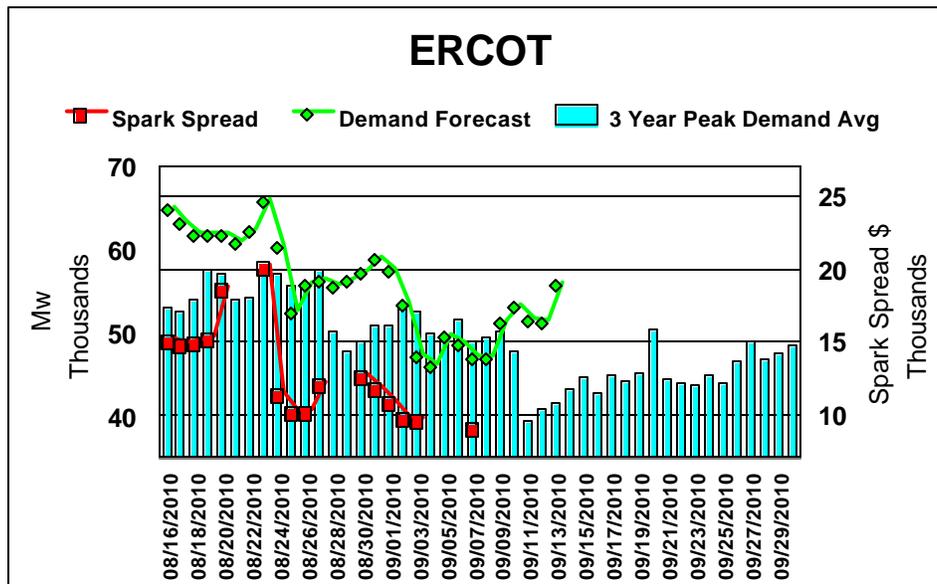
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,233,300	\$3.816	\$0.080	(\$0.051)	\$0.002	(\$0.096)
Chicago City Gate	834,700	\$3.774	\$0.048	(\$0.092)	\$0.009	(\$0.036)
NGPL- TXOK	611,500	\$3.683	\$0.059	(\$0.183)	\$0.019	(\$0.156)
SoCal	394,600	\$3.658	\$0.012	(\$0.208)	(\$0.027)	(\$0.206)
PG&E Citygate	560,600	\$3.915	(\$0.011)	\$0.049	(\$0.050)	\$0.018
Dominion-South	797,600	\$3.924	\$0.069	\$0.058	\$0.030	\$0.131
USTrade Weighted	19,837,900	\$3.725	\$0.041	(\$0.141)	\$0.00	(\$0.096)

Encana Corp said it expected drilling operation were restarted either late Monday or Tuesday at its Deep Panuke prospect offshore of Nova Scotia

after operations were suspended ahead of Hurricane Earl. The two pipeline laying ships were also reported to have returned.

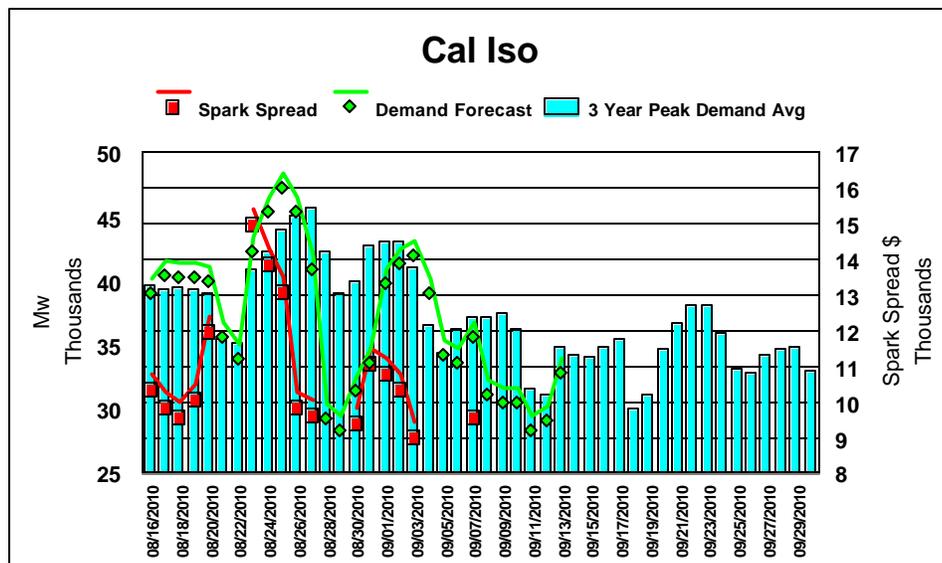
Exxon Mobil said normal operations had resumed Sunday at Sable Island, as nonessential personnel returned to the production platform, offshore of Nova Scotia. Personnel had been evacuated last week in front of the approach of Hurricane Earl.

The U.S. Freeport LNG terminal in Texas received a cargo of LNG Tuesday and another one is expected to arrive at the facility later this week. The cargo that arrived today was 135,000 cubic meters of LNG from Nigeria; while the second cargo expected to arrive later this week will come from Peru.



The Umm Slal LNG tanker is scheduled to arrive at Britain's South Hook terminal on September 14<sup>th</sup> according to port officials. The 2240,000 cubic meter tanker is coming from Qatar. Three other LNG tankers are scheduled to arrive in Britain this week. Meanwhile the Al Thakhira LNG tanker was

scheduled to arrive at Belgium's Zeebrugge terminal on September 24<sup>th</sup> carrying LNG from Qatar as well.

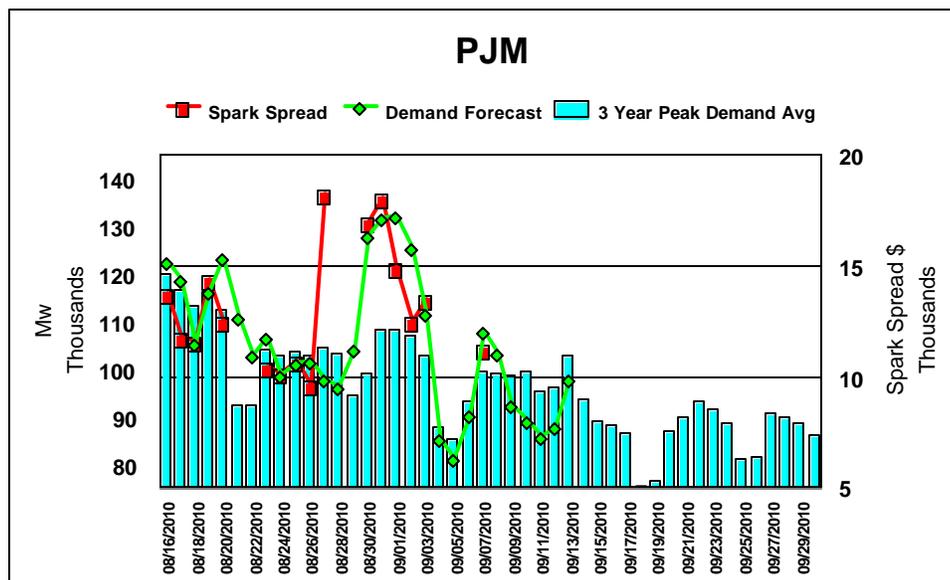


Gas exports from Norway's Kaarstoe processing plant will be unaffected by an extended ramp up period for a power plant at the facility. Gas exports are set to resume from the facility on Wednesday morning after a maintenance stop.

Mariner Energy Said late last week that its producing platform at Vermillion Block 380 in the Gulf of Mexico should resume operations with in several months after last week's fire and explosion caused "minimal" damage.

Russian and Kazakhstan today agreed to the joint development of the major Imashev gas field that straddles the border between the two countries. The Russian press estimated that the field contained almost 130 bcm of gas.

The Taiwanese government reported that the nation's imports of LNG rose 31.5% in July from a year ago and was some 26% higher than June's levels. Imports for the first six months of this year are up 30.6%.



Singapore's energy ministry said today that Singapore could end up leasing out LNG storage at its upcoming LNG import terminal if its demand for LNG fails to absorb capacity for incoming shipments. The \$1.05 billion facility is slated for its first phase to be operational by early 2013. The facility would have a capacity of 3.5 million tones per year with most of this gas targeted to local power plants and industrial

customers. The facility though could be expanded to handle up to as much as 9 million tones per year.

The Ukraine's Naftogaz said today that it paid Russia in full for its August gas deliveries. The payment was for approximately \$711 million.

**ELECTRIC MARKET NEWS**

U.S coal stockpiles at U.S., power plants were off 0.2% this week from the previous week and were some 20.8% less than the same week a year ago.

**ECONOMIC NEWS**

According to the minutes from the FOMC August policy meeting, two regional Federal Reserve banks, Kansas City and Dallas, pushed again for a modest increase of 1% in the rate charged to banks for emergency loans. The ten other regional fed banks though opposed any change in current policy. The bank directors also noted slower than expected pace of the recovery in output and employment. The governors noted that while manufacturing had improved the housing sector remained depressed and consumer spending had softened.

The Conference Board said its Employment Trends Index fell to 96.7 in August from a revised 97.4 in July. The index is up 9.4% on the year.

**MARKET COMMENTARY**

The natural gas market dropped nearly a dime this morning prior to the opening of the floor session as prices on Globex breached Monday's lows, as Tropical Storm Hermine did not disrupt any Gulf of Mexico production. But prices stabilized and bounced back through midday as cash prices at most locations firmed this morning as short term weather forecasts pointed to some near term air conditioning demand before turning toward more sustained autumn like temperatures. Also helping to hold natural gas prices from following through from the sell off from earlier this morning was the dramatic jump in non-gas generation outages today, up 89% from levels recorded last week.

With no pressing tropical threat currently to the Gulf of Mexico, coupled with winding down of the summer cooling season, this market will have a growing weight around its neck in trying to crawl its way back to the \$4.00 level. We still feel at best that this market probably remaining mired in \$3.95-

\$3.69 trading range until we get toward the end of this month or a true tropical threat appears to offshore production. If come the end of September there has been no real tropical threat or damage to offshore production, coupled with the prospects of a less than robust economic recovery, we feel that the market could retest the lows once again.

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