



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 8, 2011

#### NATURAL GAS MARKET NEWS

##### North America

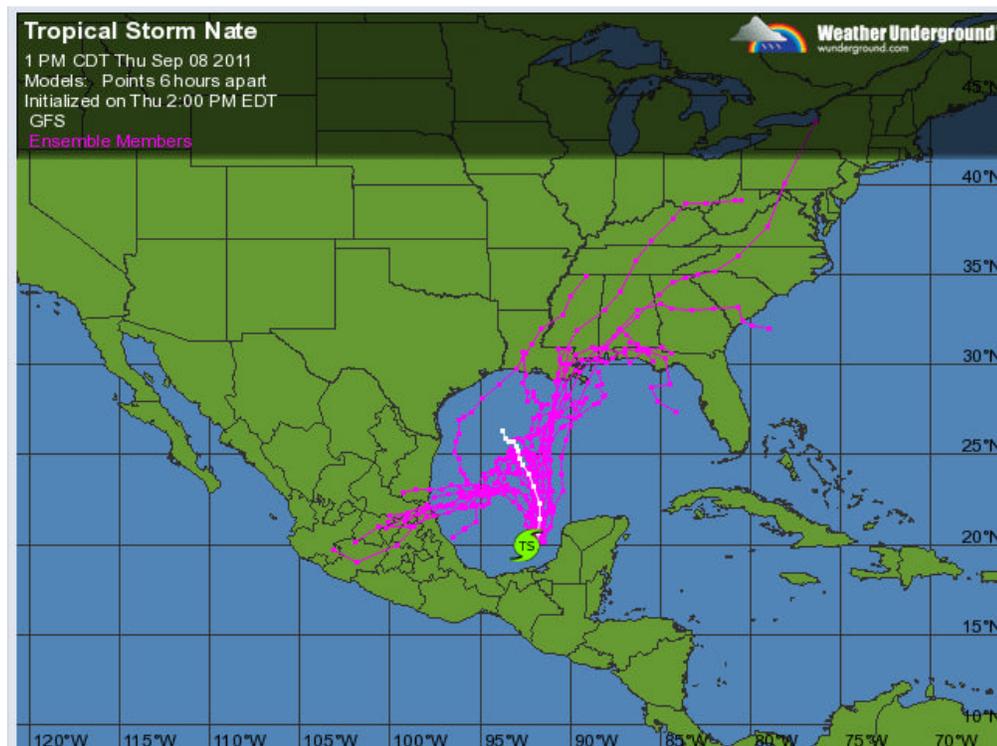
Tropical Storm Nate has grown stronger in the Bay of Campeche as winds have intensified to 50mph. The storm is expected to intensify over the next couple of days to possible to a Category 3 hurricane this weekend but it is not expected to move far from its current

location. Hurricane Katia is beginning to pick up speed as it moves west of Bermuda. The storm is expected to weaken in the next couple of days. Tropical Storm Maria has started to weaken and further weakening is expected as it approaches the Lesser Antilles.

##### Generation Outages

ERCOT Unit 2 at the Welsh coal-fired power plant in Texas plans to shut the 528MW unit for planned maintenance. The plant's owner, American Electric Power Co Inc plans to reopen the plant between September 8<sup>th</sup> and 12<sup>th</sup>.

The NRC reported this morning that some 91,979 Mw of nuclear generation was operating this morning, down 0.5% from yesterday and off more than 3.75% from than the same day a year ago.



Oil and natural gas producers in the Gulf of Mexico have still not recovered from Lee but are now bracing themselves for Tropical Storm Nate. As of Wednesday 36.9% of oil production and 18.1% of natural gas production was still not online.

La Nina has returned and is expected to gather strength during the coming winter of 2011-2012. La Nina is often blamed for record snowfall and drought.

BP declared a force majeure on its Pascagoula natural gas processing plant in Mississippi after being damaged by Hurricane Lee.

A day after announcing a joint venture with CONSOL Energy, Hess said it plans to spend an additional \$750 million to buy land in the Utica Shale in Ohio.

Canada's energy sector released a set of guidelines for hydraulic rock fracturing today in an attempt to satisfy public concerns over the drilling technique. The trade group said its members are pledging to follow such measures as safeguarding surface and groundwater, disclosing volumes of water used, developing fracking fluids that have the least environmental risk as well as detailing additives used in the fluids.

**International**

Japan's number two natural gas distributor, plans to acquire 5 to 10 percent of LNG imports through the spot market until 2015.

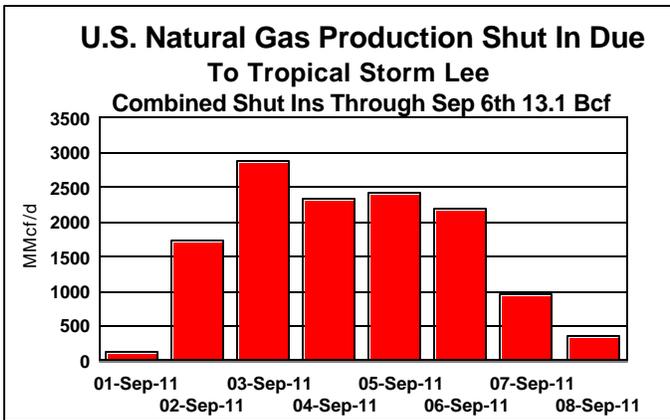
The company plans to increase its total LNG supply to 10 million tonnes annually by 2020.

**EIA Weekly Report**

	09/02/2011	08/26/2011	Change	09/02/2010
<b>Producing Region</b>	959	957	2	971
<b>Consuming East</b>	1636	1578	58	1707
<b>Consuming West</b>	430	426	4	477
<b>Total US</b>	3025	2961	64	3156

\*storage figures in Bcf

BG's Everest, Lomond, and North Sea Armada are all shut down due to scheduled maintenance. BP's Teeside terminal, which imports gas from all three platforms has had zero gas flows due to the offshore maintenance.



A LNG cargo is scheduled to arrive at the Gate import terminal in the Netherlands during the first week of October. It is the first delivery under a long-term deal between Denmark's Dong Energy and Spain's Iberdrola. Iberdrola will most likely supply the LNG from its capacity at the Snoehvit LNG plant in Norway and Dong will pay less than the domestic gas price so it will have the ability to turn a profit.

The Gate LNG terminal in the Netherlands had a gas leak that discharged cold gas and partially

halted shipping traffic in the port. The leak, which occurred from one of the terminal's jetties, lasted for thirty minutes.

Turkey will meet its 2011 gas import quota and not have to pay for gas it does not import as part of its 'take or pay' deal with Iran, Russia, and Azerbaijan. Turkey is expected to import 40 bcm a 1 bcm increase over 2010 levels.

**ELECTRIC MARKET NEWS**

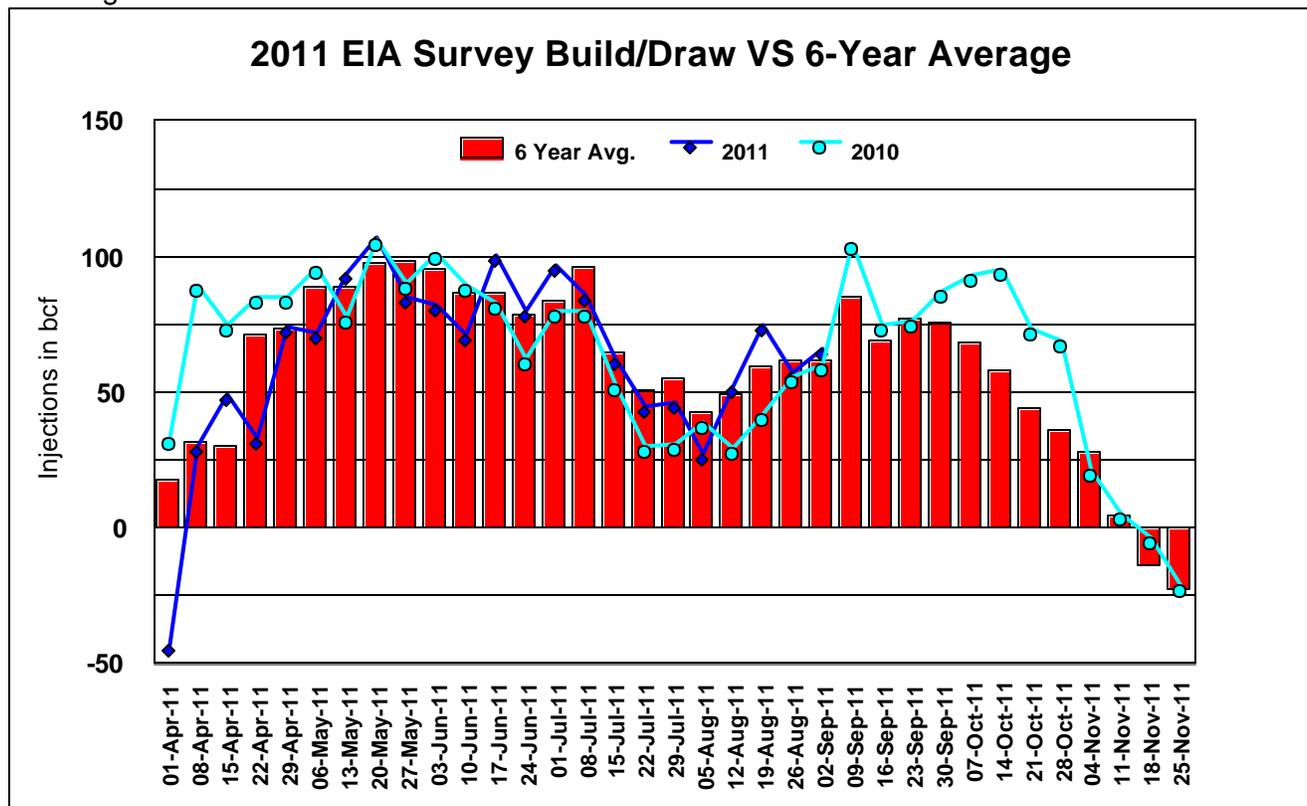
Last month's record earthquake hit Dominion's North Anna nuclear power plant twice as hard as the plant was designed to withstand. The plant, located ten miles from the epicenter, has yet to show any signs of series damage.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	629,600	\$3.989	\$0.030	(\$1.002)	(\$0.977)	(\$0.090)
Chicago City Gate	491,900	\$4.021	\$0.049	(\$0.971)	(\$0.951)	(\$0.089)
NGPL- TX/OK	567,000	\$3.900	\$0.048	(\$1.091)	(\$0.952)	(\$0.223)
SoCal	498,300	\$4.278	(\$0.003)	(\$0.713)	(\$1.003)	\$0.154
PG&E Citygate	895,100	\$4.404	(\$0.006)	(\$0.587)	(\$1.006)	\$0.302
Dominion-South	897,400	\$4.072	\$0.055	(\$0.919)	(\$0.945)	(\$0.065)
UTrade Weighted	18,529,200	\$4.035	\$0.023	(\$0.956)	(\$0.98)	(\$0.090)

Germany's energy regulator released a statement claiming he was still skeptical about the long-term stability of power as Germany plans to stop using nuclear energy by 2022. The current energy transition program will keep power supply security tight for a number of years, as periods of bottlenecking will occur during peak demand periods throughout each year.

## **ECONOMIC NEWS**

The US Labor Department said initial unemployment claims increased by 2,000 to a seasonally adjusted 414,000 in the week ending September 3<sup>rd</sup>. Unemployment claims filed in the previous week were revised to 412,000 from an originally reported 409,000. It reported that the four week moving average of new claims increased by 3,750 to 414,750. The report showed that the number of continuing unemployment benefit claims fell by 30,000 to 3,717,000 in the week ending August 27<sup>th</sup>. The unemployment rate for workers with unemployment insurance in the week ending August 27<sup>th</sup> was unchanged at 3%.



The Commerce Department said the US trade deficit in July posted its largest decline in nearly two and a half years. The US deficit in international trade of goods and services fell by 13.1% to \$44.81 billion from a downwardly revised \$51.57 billion in June. The decline in the trade gap came as oil prices fell from nearly three year highs reached in May. The US bill for crude oil imports in July fell to \$29.31 billion from \$31.45 billion in June. Crude import volumes fell to 281.1 million barrels from 296.7 million barrels. It however reported that the trade deficit with China increased to its highest level since last September despite rising exports, increasing by 1.1% to \$26.96 billion in July.

Federal Reserve Chairman Ben Bernanke said the central bank has the tools to provide more support to the US economy. However he declined to say whether it was prepared to use them in less than two weeks. He said the Federal Reserve expects the recovery to continue at a slower pace than it did in June and for inflation to fall later this year following an increase in the first half of the year. Separately, Federal Reserve Bank of Philadelphia President Charles Plosser said monetary policy has little ability to help the US jobs market in current economic circumstances. He said he sees a high possibility to new Fed action.

## **Market Commentary**

While the natural gas market received a neutral to slightly larger than expected build in storage stocks for the week ending September 2<sup>nd</sup>, the market edged slightly higher on the day as more computer

models at midday began to show that the U.S. Gulf Coast could be at risk from Tropical Storm Nate by the end of the week. The market though posted an inside trading session which is unusual for a storage report day, and as a result could set up Friday as a potential volatile trading session, as traders look to go into the weekend with the proper position. Their market bias could very well be based on the latest forecast for the direction of Tropical Storm/ Hurricane Nate. If there is a greater consensus in the forecast models that this storm will intensify and threaten the Gulf Coast next week, then we feel that this market will break out to the upside and the initial resistance at \$4.085 and \$4.13-\$4.159. We ultimately would look for \$4.40-\$4.60 area to be the upside target. In addition the bulls could also draw on technical support from the fact that the daily stochastics have once again rolled to the upside. Support we see at \$3.894, \$3.85 and \$3.78.

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