



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 14, 2010

#### NATURAL GAS MARKET NEWS

The Duhail LNG tanker reportedly is slated to arrive at Britain's Milford Haven port on September 21<sup>st</sup>. The 210,000 cubic meter tanker is coming from Dubai. Meanwhile the Rasheeda LNG tanker from Yemen was slated to arrive in Milford haven at the end of September.

The NRC reported this morning that some 92,505 Mw of U.S. nuclear generation capacity was online this morning up 0.5% from yesterday and 4.2% higher than the same time a year ago.

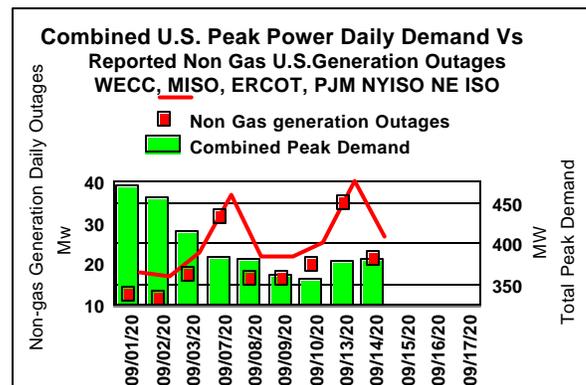
The National Hurricane Center this morning was continuing to watch Invest 92, which was a broad area of low pressure with shower activity in the northwest Caribbean. The system became a little better organized overnight and through the day Tuesday and became a Tropical Storm Karl by the late afternoon. The storm is expected to reach the Yucatan Peninsula late Wednesday on its path to the

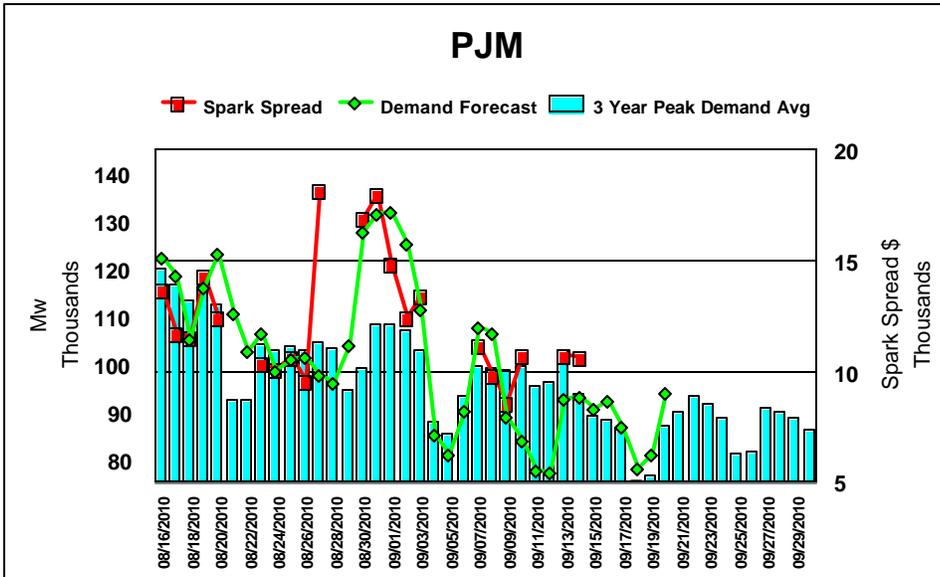
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	945,700	\$3.977	\$0.143	\$0.089	\$0.268	(\$0.058)
Chicago City Gate	723,100	\$4.068	\$0.210	\$0.180	\$0.270	(\$0.009)
NGPL- TXOK	849,700	\$3.942	\$0.168	\$0.054	\$0.228	(\$0.099)
SoCal	494,600	\$3.977	\$0.248	\$0.089	\$0.308	(\$0.129)
PG&E Citygate	966,100	\$4.258	\$0.240	\$0.370	\$0.300	\$0.115
Dominion-South	836,800	\$4.134	\$0.235	\$0.246	\$0.295	\$0.060
USTRade Weighted	21,172,500	\$4.015	\$0.208	\$0.127	\$0.27	(\$0.058)

Bay of Campeche by Thursday morning. The system once it emerges over the warm waters of the Bay of Campeche, as some long range models are calling for, could

become a Category 1 or 2 hurricane before it comes ashore once again on the east coast of Mexico. Some forecasters are noting that the overall tropical pattern is set to shift next week, with the high-pressure ridge building much further west than it is currently positioned. This could allow tropical waves coming off the coast of Africa a greater opportunity to track all the westward into the Caribbean and potentially the Gulf of Mexico, rather than curving northward and remaining out at sea. In addition the GFS model currently is calling for a tropical system to form in the central and western Caribbean in about 7-10 days.

Total said that its natural gas pipeline in Yemen was the target of a failed attack on Monday but its LNG production in Yemen continued. The company did



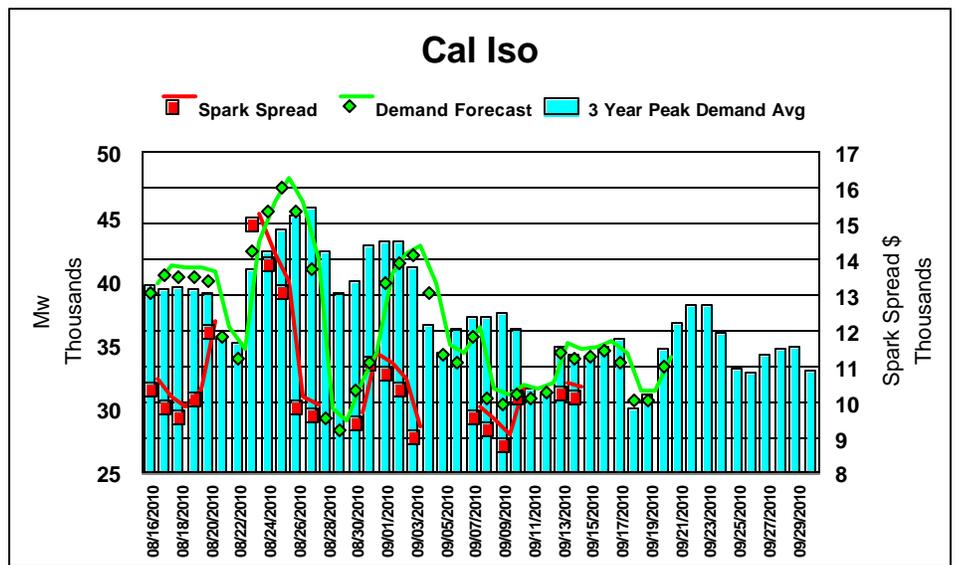


confirm a minor amount of damage to the pipeline but the pipeline remains in operation and LNG production continues uninterrupted. The company said that security along the pipeline has been reinforced with Yemeni government forces.

Lithuania said today that it planned to bring Latvia and Estonia into its planned LNG project, as the region attempts to

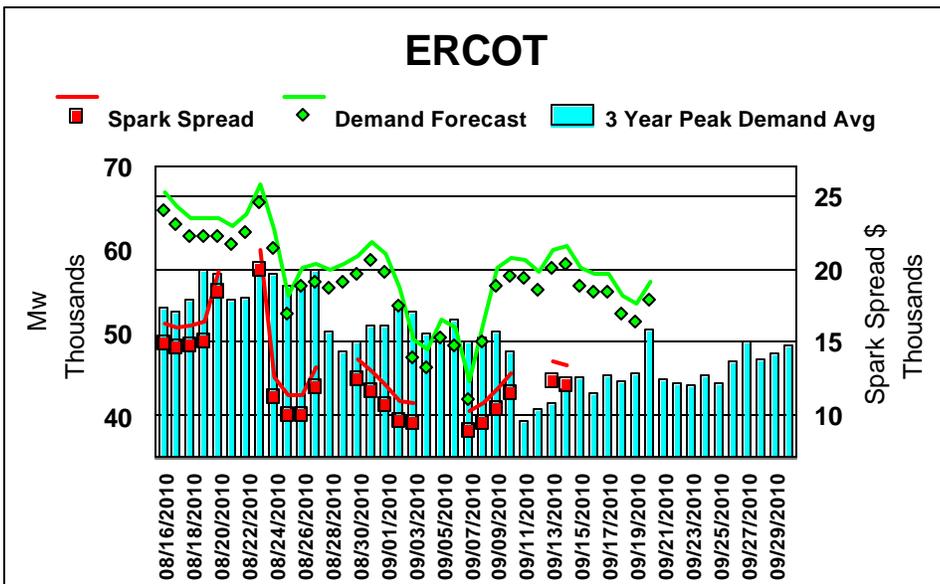
diversify its natural gas supply. In July Lithuania approved plans to build a LNG terminal off its Baltic port of Klaipeda by 2012.

Bulgarian police reported today that an explosion had occurred Monday on a pipeline in southeastern Bulgaria that carries Russian natural gas to Turkey. The blast destroyed 15 meters of the pipeline. It was unclear if gas flows to Turkey had been halted completely.



The Medgaz natural gas pipeline from Algeria to Spain reportedly is due to begin pumping natural gas in the final quarter of the year. The line will have an 8 bcm per year capacity. The line had been expected to begin service at the end of September.

The Hungarian government said today that it had signed an agreement along with Azerbaijan, Romania and Georgia to proceed with the Azerbaijan-Georgia-Romania



Interconnector gas project. The AGRI project would bring about 28 bcm of gas from the Caspian region to the Black Sea where it would be put on tankers at an LNG facility in Georgia for transport across the Black Sea to a Romanian receiving facility, where it would be regasified and transported onto European countries via existing gas pipelines. The joint venture will start working on a feasibility study of the project, which would begin with a 2 bcm capacity then increasing to 5 bcm and finally 8 bcm annually. The study is expected to take six months, with financing negotiations completed shortly afterward.

### **ELECTRIC MARKET NEWS**

Genscape reported that coal stockpiles at U.S. power plants rose 1.1% this week but were 20.6% smaller than a year ago. These stockpiles would equate to a 53-day forward supply of coal. A year ago there was 39 days of forward supply in coal stocks.

### **ECONOMIC NEWS**

Sales at US retailers posted their largest gain in five months in August. The Commerce Department said total retail sales increased 0.4% following a revised 0.3% increase in July. It was the second consecutive month of gains in retail sales.

The Commerce Department said inventories at US businesses surged during July while sales posted the largest gain in four months. Inventories increased 1% on the month to a seasonally adjusted \$1.376 trillion. Business sales in July increased by 0.7% to \$1.09 trillion, the largest increase since 2.5% in March. The inventory-to-sales ratio in July was 1.26, unchanged from June.

Small business activity in the US increased slightly in August. The Small Business Optimism Index increased 0.7 points to 88.8 in August.

### **MARKET COMMENTARY**

The market finally broke through resistance at \$4.00 at the start of the morning session as stronger oil prices coupled with supportive economic news finally allowed the natural gas market to see price levels not recorded since August 25<sup>th</sup>. But prices were unable to hold these levels especially as rumors circulated about the energy markets that a damaged crude oil pipeline in the Midwest may be close to re-opening once again. As a result natural gas prices eroded slowly throughout the afternoon and while settling a couple of pennies stronger failed to settle above the critical \$4.00 level that may have prompted more follow through buying in coming days. In addition most back months settled lower on the day Many traders were looking for a close above \$4.00 as a technical signal for a move even higher as it would potentially trigger additional computer buying. Additional resistance was seen at \$4.196, \$4.352-\$4.375, \$4.507 and \$4.60. We continue to feel though without a tropical threat this market will fail to maintain the bullish traction to keep this market above \$4.00. Support we see at \$3.89, \$3.861 and \$3.824. More significant support we see at \$3.74, \$3.693 and \$3.62

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