



## ENERGY RISK MANAGEMENT

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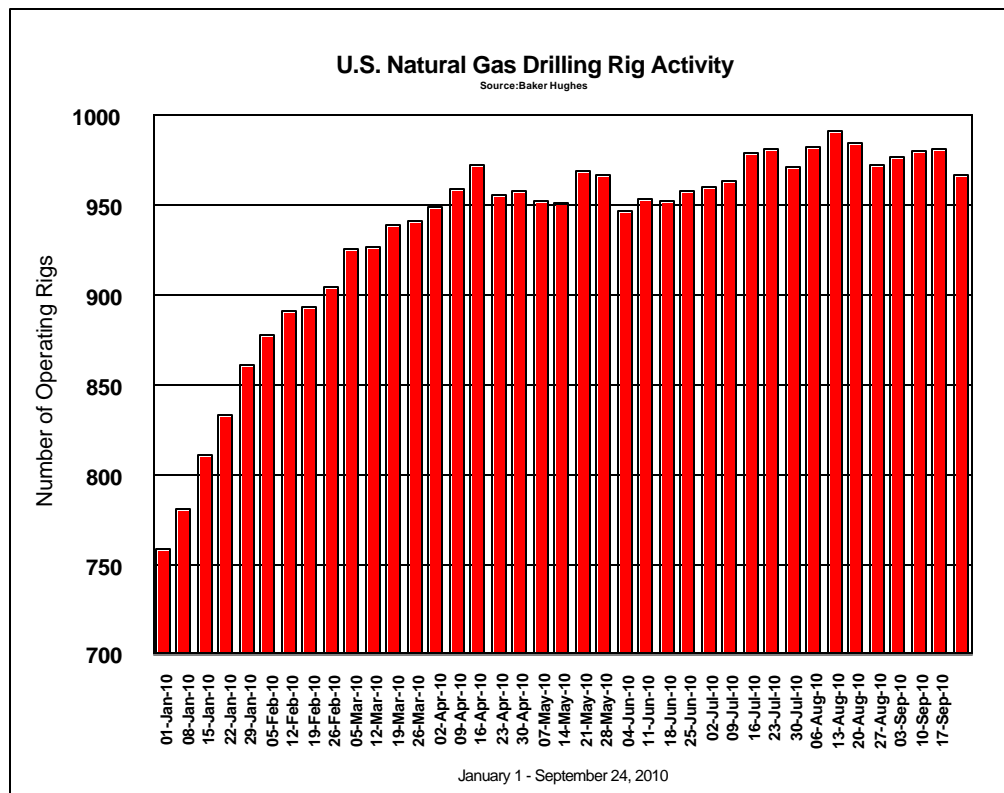
### NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 24, 2010

#### NATURAL GAS MARKET NEWS

The National Hurricane Center early this morning noted that Tropical Storm Matthew became a little better organized overnight as it headed toward Central America, but by midday no additional development was noted and as a result forecasters did not believe the storm would reach hurricane strength before it made landfall. The forward speed of the storm had picked up. The model forecasts show a divergence of options but the current consensus is for the storm to continue westward and dissipate.

The NRC reported this morning that some 91,029 Mw of U.S. nuclear generation capacity was online this morning basically unchanged from yesterday but some 8.1% higher than the same time a year ago.

Baker Hughes reported this afternoon that for the current week it estimates there were some 967 natural gas rigs operating the United States, down 15 on the week and also posting the first weekly decline in four weeks. Horizontal rigs, the type most often used to extract gas from shale, were unchanged from the previous week's record high of 912.



The EU's European Commission said today that the Ukraine's entry in Energy Community, a pact that ensures member countries share the same legal framework for energy investments, will improve Europe's security of gas supply. The Ukraine is expected to ratify the pact in the next few months so it can become a full member early next year. The pact ensures member countries share the same legal framework to enforce transparency in

investments, open access to the markets and limit abuse of dominant market positions. The Commission said that Ukraine's Naftogaz will have to separate its production business from the transmission services, in line with European and Energy Community rules.

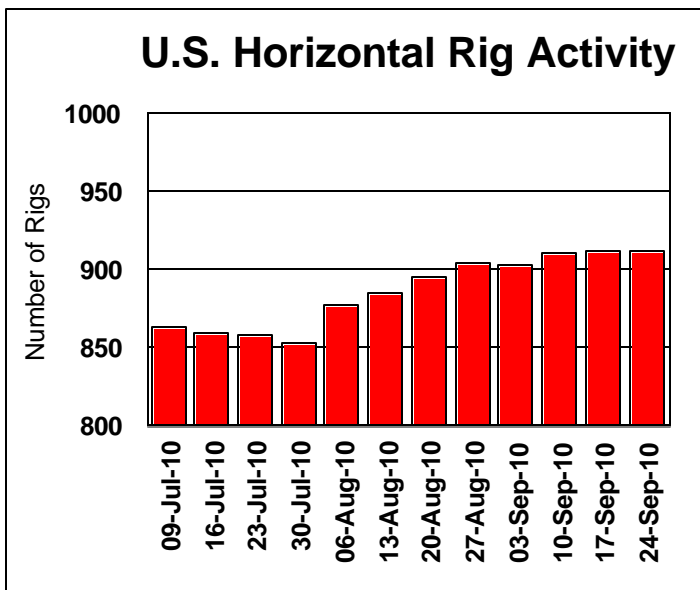
Spot UK natural gas prices rebounded today as a result of the Interconnector Pipeline returning to service following completion of scheduled maintenance.

### **ELECTRIC MARKET NEWS**

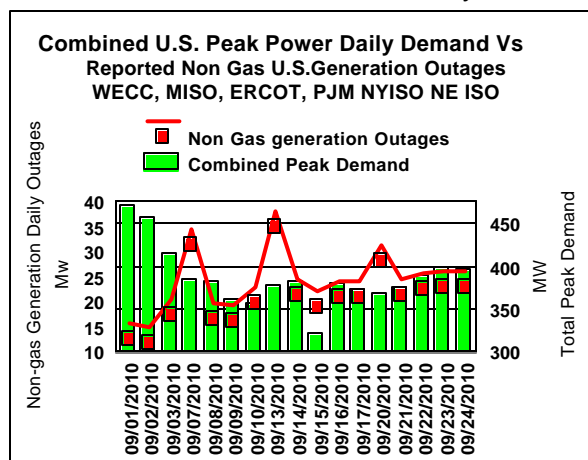
Sponsors of the bi-partisan Senate bill looking to require U.S. utilities to have a 15% renewable generation requirement by 2021 feel they can push the legislation through the Senate without having to add oil or nuclear incentives to the measure. The sponsors believe the Senate will be able to take up the measure after the November mid term elections.

### **ECONOMIC NEWS**

The Commerce Department said new orders for durable goods fell more than expected in August by 1.3% following a revised 0.7% increase in July.



The Commerce Department also reported that new single-family home sales in August were flat at a 288,000 unit annual rate. Year on year, new home sales in August fell by 28.9%. It however reported

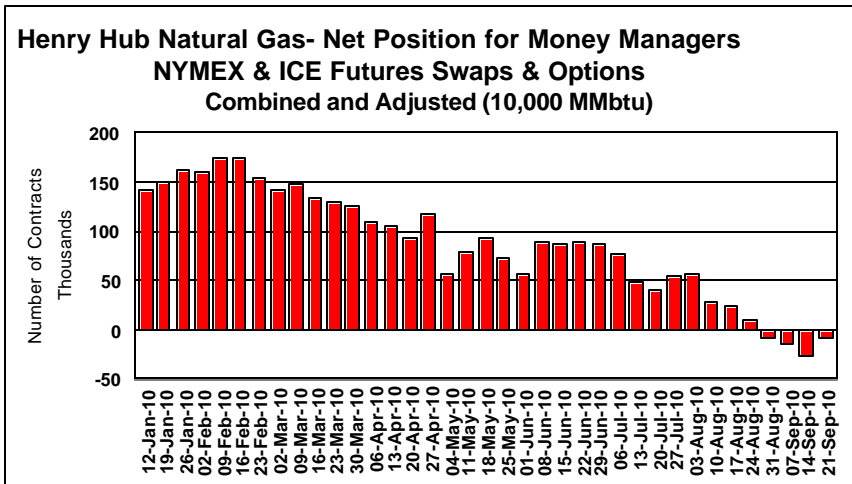
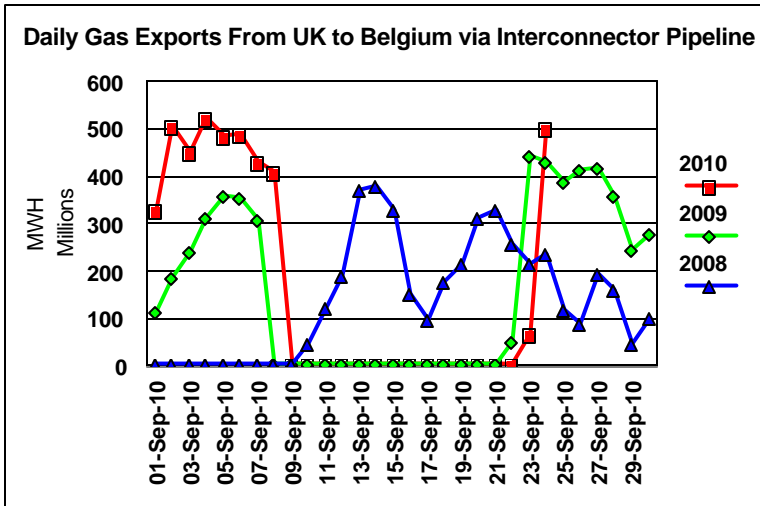


that the number of new homes available for sale fell 1.4% to 206,000 units, the lowest level since August 1968. The median sale price for a new home fell 0.6% in August to \$204,700, the lowest price since December 2003.

Richmond Federal Reserve Bank President Jeffrey Lacker said the US economy is not at risk of deflation despite relatively subdued price growth. He sees the economy expanding at about 2% in the second half, gradually accelerating next year. He said the Fed will see how the data unfolds before it decides on further action.

### **MARKET COMMENTARY**

The natural gas market fell back below the \$4.00 price level today as Tropical Storm Matthew turned out to be a bust for the natural gas bulls as this long anticipated storm, which two weeks ago was being called a killer storm for the oil and gas patch in the Gulf of Mexico, appeared it would not even venture into the Gulf of Mexico. In addition with temperatures expected to moderate a bit next week the recent strong gas fired generation demand also appeared would back off a bit. As a result prices fell back into the wedge pattern they have been in for the past two weeks with no strong indicator that it would find fresh news to drive it out of its past two week trading range. But we would look for traders to continue to keep a close eye on the tropics for at least another two weeks as the Caribbean is still expected to be active. Volume though remains light both in the futures and the cash markets. Tonight's Commitment of Traders Report coupled with recent open interest reports point to the fact that the recent rally in natural gas was driven by short covering rather than new fresh buying.



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