



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 27, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center said a low pressure system in the northwest Caribbean Sea has a 30% chance of strengthening into a tropical depression over the next 48 hours as it moves north. It is too soon for computer weather models to project where the system will make landfall, if at all. Elsewhere, the NHC reported that there was a small low pressure system about 725 miles southwest of the Cape Verde Islands that had a 10% chance of developing during the next 48 hours.

A 30-year agreement has been signed between Russia's Gazprom and China, whereby Gazprom will sell 30 billion cubic meters per year of Russian gas to China. Under the agreement, Gazprom, deliveries will begin at the end of 2015 in take-or-pay volumes, the time it will take to reach full annual volumes and guaranteed payments.

Oil and gas production at the Panna-Mukta fields off western India is likely to resume in the second week of October. Production was suspended more than two months ago due to a damaged undersea pipeline. Prior to the leak, the Panna-Mukta fields were producing 35,000 barrels of oil and 205 million metric standard cubic feet of gas a day.

Northern Petroleum PLC announced that commercial gas production began on Sept. 23 at its Brakel field, making it the third of six onshore oil and gas fields that Northern and its partners are bringing into production. The forecasted contracted gross sales volume is 200,000 normal cubic meters per day.

ConocoPhillips is said to be shutting down a small amount of onshore natural gas production due to low prices. Expectations are for the deepwater drilling stoppage to end "relatively soon." but slow permitting could present a problem. According to the CEO, the company will shift some of its spending on gas drilling to Eagle Ford shale, a liquids-rich location. He also stated that reasonable levels for natural gas prices would be \$6-\$7/mmbtu in the long term.

ELECTRIC MARKET NEWS

According to a Genscape report, U.S. power output for the week ended Sept. 23 fell 2.43 percent from the prior week but rose 3.38 percent from a year earlier. The drop in demand was attributed to below normal temperatures in most of the country.

MARKET COMMENTARY

Generator Problems

FRCC- NextEra Energy Inc's 693 Mw Turkey Point 4 nuclear power unit ramped up to full power by early Monday from an outage stemming from Sept 21. Unit e shut by Sept 24 and will remain down until November.

MAPP- Bruce Power LP's 822 Mw Unit 6 in Ontario returned to service by Sept.27. The unit shut Sept. 15 to repair a valve on the heat transport system.

The NRC reported this morning that some 92,458 Mw of U.S. nuclear generation capacity was online this morning up 1.57% from Friday and some 12.53% higher than the same time a year ago.

The natural gas market gapped lower from Friday's low of \$3.873 to \$3.818 as the market remained pressured by the lack of any immediate storm threat and mild weather forecasts. The market partially backfilled its opening gap as it posted a high of \$3.829 in overnight trading. The natural gas market continued to trade lower and sold off to a low of \$3.732. It later settled in a sideways trading pattern before it retraced some of its earlier losses. The natural gas market settled down 8.1 cents at \$3.80, the lowest level since September 9th.

The natural gas market will likely retrace some of its recent losses ahead of the expiration of the October contract on Tuesday. However, the market's gains are will remain limited with no immediate threat seen for the US energy infrastructure in the western and central Gulf of Mexico in the next week or so. The natural gas market is seen finding support at \$3.732, \$3.69 and \$3.648. Resistance is seen at \$3.81, \$3.829-\$3.873 followed by \$3.884 and \$3.939.