



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 28, 2010

NATURAL GAS MARKET NEWS

The National Hurricane Center said a tropical depression formed south of Cuba on Tuesday. It forecast that the system will strengthen into a storm later in the day. The NHC said the tropical depression is about 180 miles south of Havana and is moving to the north-northeast at 10 mph. The system is expected to cross Cuba Tuesday night and move near the southeast Florida coast by Wednesday afternoon. The system is however not expected to gain hurricane strength.

Alan Boeckmann, Chief Executive of U.S. engineering company, Fluor, said on Tuesday that the glut of shale production has caused a slowing of the development of U.S. nuclear power. There has been extensive drilling of shale rock, which has led to the discovery of large amounts of natural gas. Such drilling has kept a lid on prices, thereby hindering the U.S. nuclear industry according to Boeckmann. Asian competition was also a factor mentioned by Boeckmann that has had an impact on prices.

Statoil, a producer of natural gas, and Gassco, a transporter, have both said that they were not aware of technical problems causing the restriction of natural gas flow to Britain. Data from UK gas network operator, National Grid indicates that flows of Norwegian gas through the Langeled pipeline into Britain increased 40 million cubic meters/day late on Monday but decreased to around 15 million cubic meters on Tuesday.

ELECTRIC MARKET NEWS

According to a report put out by Oceana, an ocean conservation group, the US. East Coast would be able to meet half its current electric demand if offshore wind turbines were constructed. Citing, South and North Carolina, New Jersey and Virginia as the states with the most potential for such turbines, Oceana estimates that there are currently 13 coastal states that hold promise. In its report, Oceans estimates that these states could generate up to 127 gigawatts of power. Attaining the 127 gigawatt number may call for the installation of 30,000 to 50,000 spinning turbines along the U.S. East Coast.

Genscape has reported that coal stockpiles in U.S. power plants rose 0.6 percent and are currently 20.5 percent lower than a year ago. According Genscape, forward supply of coal needed to operate the generators stands at 54-days which is unchanged from last week. Year-on-year, electric companies have averaged 14 days less of coal supplies, which is being attributed to greater power demand under a recovering economy and less output than last year.

ECONOMIC NEWS

Generator Problems

MAPP- OPG's 494 Mw Unit 4 coal-fired power plant in Ontario shut late Monday in order to reduce carbon and other emissions. Units 1 and 2 will shut Oct 1. Unit 3 remains shut since Sept. 20.

ERCOT - AEP's 670 Mw coal-fired power plant in Texas experienced a boiler trip. No details were given.

The NRC reported this morning that some 92,352 Mw of U.S. nuclear generation capacity was online this morning down 0.11% from Monday and some 11.3% higher than the same time a year ago.

US consumer confidence in September fell to its lowest level since February, driven by the deteriorating labor market and business conditions. The Conference Board said its index of consumer confidence fell to 48.5 in September from a revised level of 53.2 in August. It reported that consumers' one year inflation expectation fell to 4.9% from 5% the previous month. The expectations index fell to 65.4 from 72 last month while the present situation index fell to 23.1 from 24.9 in August.

Single-family home prices fell in July and are seen stabilizing near the lows. The S&P/Case Shiller composite index of 20 metropolitan areas fell by 0.1% in July from June on a seasonally adjusted basis. The fall followed a 0.2% rise in June, which was revised down from a 0.3% increase.

Expected Tanker Arrivals and Destinations

LNG TANKER	CAPACITY (CUBIC METRES)	EXPECTED ARRIVAL	FROM	DESTINATION
BRITAIN				
Al Oraiq	205,994	Sep. 28	Qatar	Dragon
Al Shamal	217,000	Sep 30	Qatar	Isle of Grain
Rasheeda	268,000	Oct 1	Qatar	South Hook
Al Gharrafa	216,000	Oct 4	Qatar	Milford Haven
Belgium Zeebrugge				
Simaisma	145,000	Sep 29	Qatar	
Golar Maria	143,000	Oct 1	Unknown	
Rasgas Asclepius	145,000	Oct 5	Qatar	
Trinity Glory	154,200	Oct 8	Qatar	
Al Jassasiya	145,000	Oct 21	Qatar	Brazil

MARKET COMMENTARY

Natural gas prices were higher today, just ahead of the October contract expiration. Prices experienced a wide trading range amidst weak fundamentals. Eyes are still focused on hurricane activity in the Gulf of Mexico and production shifts, which have been impacted by economically concerned producers who are curtailing production. With the October contract now expired, we would look for November to come under pressure, working towards the \$3.820 support level

The natural gas market is seen finding support at \$3.908, \$3.867, \$3.854, \$3.82 and \$3.801. Resistance is seen at \$3.977, \$4.01, \$4.058 and \$4.107.

Early estimates for this week's release of the EIA gas storage numbers are wide, ranging from 62 bcf to 90 bcf versus a gain of 65 bcf last year.