



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 11, 2010

NATURAL GAS MARKET NEWS

The US National Hurricane Center said a low pressure system off the east coast of Nicaragua and Honduras became better organized and now has an 80% chance of strengthening into a depression over the next 48 hours, up from 60% earlier. Computer weather models forecast the system will not threaten the northern Gulf of Mexico. The models are divided on where the storm will go, with several projecting it will turn northeast towards Cuba and Florida in a couple of days while a couple of models forecast it will turn west toward Belize and Guatemala in a couple of days.

Denmark's AP Moller-Maersk is committing itself, via its new marketing entity Maersk International Gas Marketing, to deliver more than 1 billion cubic meters of gas into the market over the next few years.

Gassco said gas started flowing Sunday through the Gjoea Gas Pipe from Norwegian fields to the UK's Far North Liquids Associated Gas System in the North Sea. Overall gas production capacity from Gjoea will be 17 million cubic meters/day.

Russia's Prime Minister Vladimir Putin is expected to approve the country's 2030 natural gas strategy, which sees an increase in both gas production and export. The latest draft of the strategy, which includes plans for the development of liquefied natural gas over the next two decades, has been supported by ministries, OAO Gazprom and independent gas producers. The strategy sees 2020 gas production of about 1 trillion cubic meters. The document sees Russia's gas export to Europe increase to 209 billion cubic meters by 2015 from 140 billion cubic meters in 2009 and to between 225 bcm and 227 bcm by 2030.

Russia's Deputy Prime Minister Igor Sechin said Russia is considering a gas export duty cut for the country's liquefied natural gas projects.

Apache Corp announced an agreement with Chevron and Tokyo Electric regarding LNG sales from the Wheatstone project in Western Australia. The LNG facility's first phase will consist of two processing trains with combined capacity of 8.6 million tons/year and a domestic gas plant.

China's CNOOC will pay \$1.1 billion for a shale gas unit of US company Chesapeake Energy. Chesapeake has 10 wells in the Eagle Ford shale project and will increase to about 40 rigs by the end

Generator Problems

NPCC - Ontario Power Generation's 570 Mw Brighton Beach natural gas fired power station returned to service following a short outage on Saturday.

Ontario Power Generation's 490 Mw Nanticoke coal fired unit 7 was shut late Sunday as part of its plan to stop burning coal to generate power.

WSCC - Southern California Edison shut its 1,080 Mw San Onofre nuclear unit 3 early Sunday to replace the unit's two steam generators and refuel the reactor. The outage is expected to last three to four months.

SERC - Southern Co's 851 Mw Farley nuclear unit 1 was shut for planned refueling by early Monday. The unit is likely to remain shut for about a month.

of 2012 with the CNOOC funds. The project is expected to reach peak production of 400,000 to 500,000 bpd of oil equivalent in the next decade. Eagle Ford is estimated to have reserves equaling more than 80 billion barrels of oil.

ELECTRIC MARKET NEWS

Genscape reported that US power output in the week ending October 7th fell by 10.2% on the week but only 0.5% on the year.

MARKET COMMENTARY

The natural gas market on Monday posted an inside trading day as it failed to break out of its previous trading range. The market traded off a low of \$3.60 early in the session to a high of \$3.673. It however retraced its gains and sold off to a low of \$3.586 ahead of the close. The market remained pressured amid the lack of any supportive weather forecasts. Little in the way of heating demand is seen in the coming week. The natural gas market settled down 5 cents at \$3.601, the lowest level seen since late September 2009.

The natural gas market is still seen trending lower amid expected weak demand as weather forecasts call for moderate temperatures. The market is seen finding support at its lows of \$3.856-\$3.853 followed by \$3.567, \$3.533 and \$3.48. Resistance is seen at \$3.645, \$3.654, its high of \$3.673-\$3.683, \$3.707 and \$3.741.