



# ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino

(212) 624-1132 (888) 885-6100

[www.e-windham.com](http://www.e-windham.com)

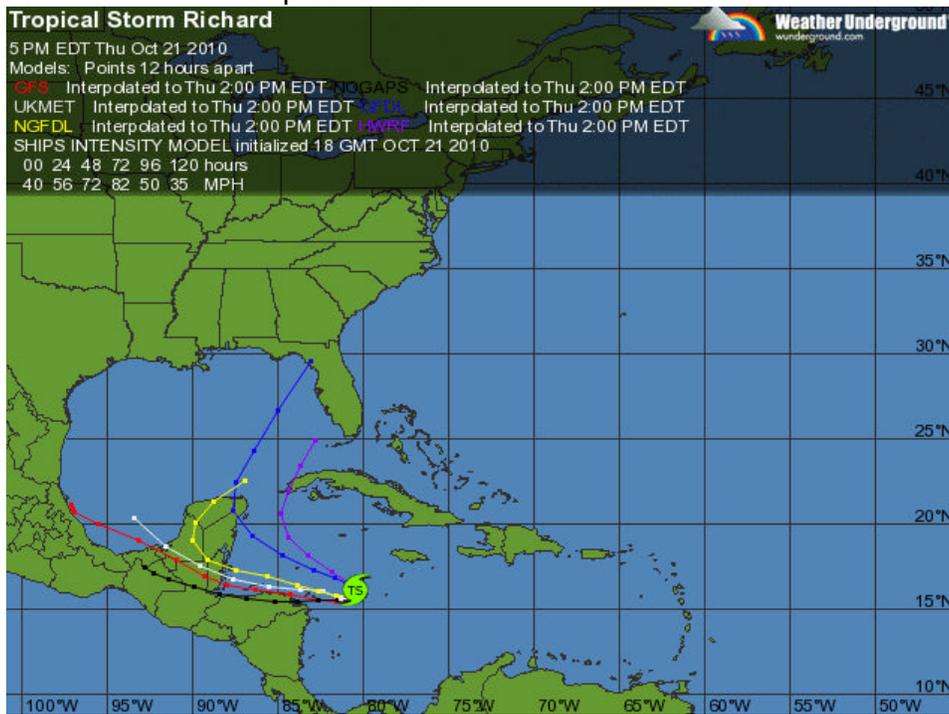
## NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 21, 2010

### NATURAL GAS MARKET NEWS

Pennsylvania Governor Rendell said today that his plan to tax natural gas production was clearly dead this year, due to Republican opposition and he accused Republican legislators of renegeing on a pledge to enact a tax. Pennsylvania home to the majority of the Marcellus shale production, expects to see this production quadruple production over the next 20 years. The state remains the only gas producing state yet to impose a tax on shale gas

The NRC reported this morning that some 81,980 Mw of generating output was on line this morning, up 1.9% from yesterday and some 9.5% higher than the same time a year ago.

Invest 99L which weather forecasters have been following for this week in the Caribbean, finally noted that the weather system had developed into a tropical depression by early this morning and by late morning had become Tropical Storm Richard. Forecast models remained mixed in their outlook but some were calling for the storm to move into the Gulf of Mexico by Tuesday of next week. The storm path though appears will then move more toward the northeast and be a threat to the west coast of Florida or the Florida panhandle.

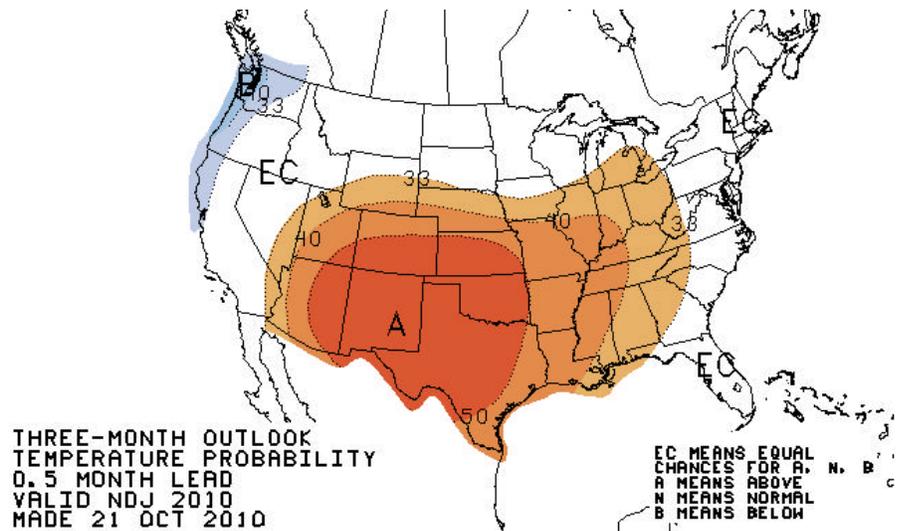


The CEO of Entergy said Thursday that low natural gas prices will remain challenging for the power generating company for the next couple of years. He said his company has “been more aggressive” with its hedging activity because “it is clear that the commodity markets that power natural gas have been a tough hurdle for a non-utility business segment and will likely continue to prove challenging for the next couple of years.” He noted that the forward power contracts the company has sold is 95% lower in

2011 and 76% lower for 2012 from last October. The company said though that those contracts are still profitable by about \$630 million. He noted that “strong industrial growth continued in the third

quarter but at a lower level than in the second quarter” which appears to indicate economic recovery may be leveling off.

The new Golden Pass LNG terminal in Texas will receive its first LNG tanker on Thursday but the cargo will not be allowed to offload until the terminal developers get regulatory approval to import the gas and thus be allowed to off load it. The tanker holds 210,000 cubic meters of gas from Qatar. The first phase of the terminal development provides the ability to deliver 1 bcf/d of natural gas to the pipeline grid, with the second stage coming on line in the first quarter of next year which will boost capacity to 2.7 bcf/d.



The National Weather Service today released their latest long-term weather forecast. It currently is looking for above normal temperatures for the U.S. Southwest and the Midwest in November through January, with the U.S. northeast to be around normal temperatures.

EIA Weekly Report				
	10/15/2010	10/08/2010	Change	10/15/2009
<b>Producing Region</b>	1161	1124	37	1186
<b>Consuming East</b>	2014	1963	51	2039
<b>Consuming West</b>	508	503	5	506
<b>Total US</b>	3683	3590	93	3731

\*storage figures in Bcf

French gas workers at two LNG terminals voted on Thursday to extend their strike until Monday as it protests over pension reform. Operations at Fos-Tonkin, which can handle 5.5 bcm per year have been halted since October 19<sup>th</sup>. Output at Fos-Cavaou, which has a capacity of 8.25 bcm has been reduced. Meanwhile France’s GDF Suez reported that strikers have prevented the unloading of three LNG tankers at two ports and blocked the injection of gas into the network from underground depots. But a CGT union official said today that his union members would unload a LNG tanker at the Montoir LNG terminal over the weekend due to security reasons at the plant. As a result workers will restart operations for a 24-hour period starting Saturday morning and will stop operations as soon as the unloading is over.

British gas prices firmed today as flows via the Langeled pipeline from Norway turned down today while the two LNG tankers that were scheduled to offload in France, which had been waiting at the French port, Montoir, on Tuesday were no longer at the port, and their future destination is unknown, since they still have not shown up on any UK port schedules as expected earlier this week.

**Canadian Gas Association**

Weekly Storage Report			
	15-Oct-10	08-Oct-10	16-Oct-09
<b>East</b>	225.5	218.8	231.9
<b>West</b>	395.5	390.4	363.8
<b>Total</b>	621	609.2	595.7

storage figures are in Bcf

Azerbaijan’s gas output rose 14.4% in January-September period versus a year ago to 20.0 bcm. The country saw gas production in 2009 increase by just 0.8% from the prior year.

China reported this morning that its domestic production of natural gas in September reached 7.37 bcm up 8.9% from the same month a year ago but down 3% from August.

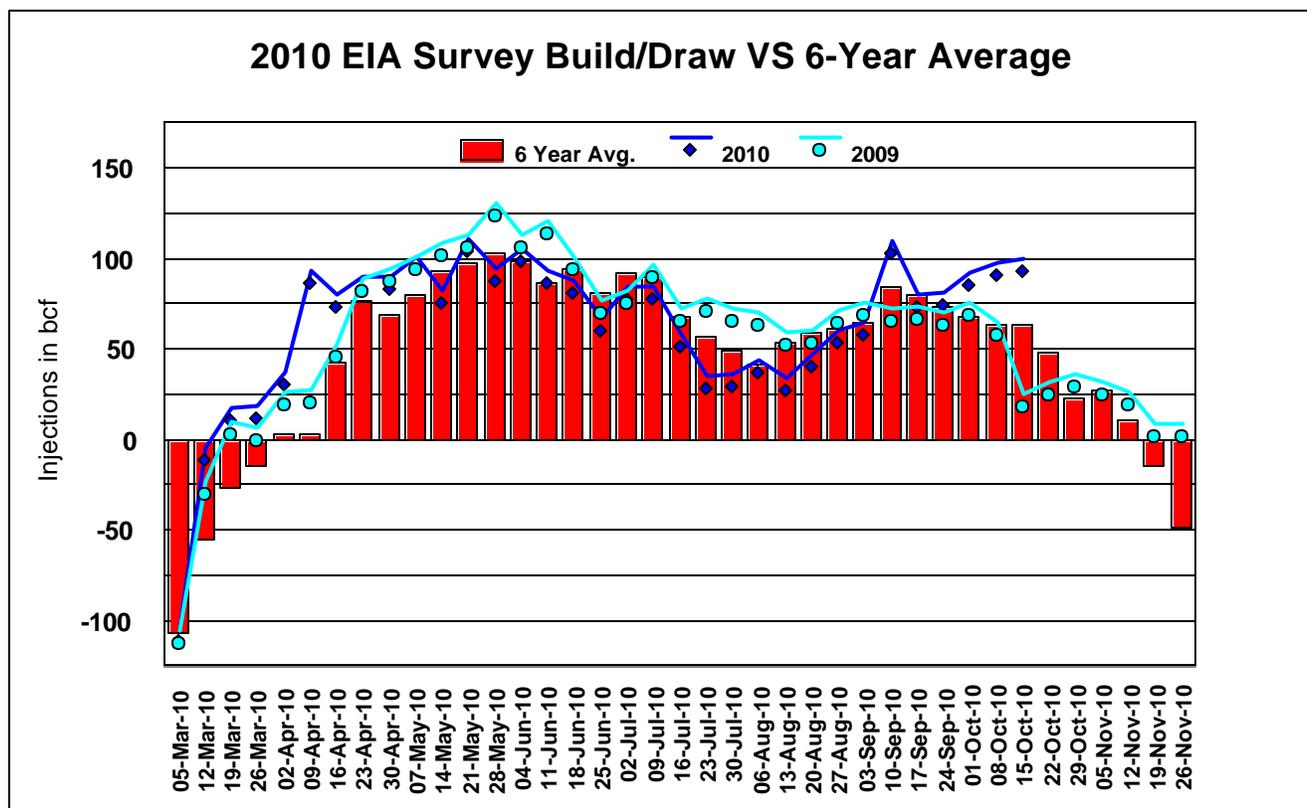
The Bulgarian government said today that Russia and Bulgaria will set up a joint venture by November 15<sup>th</sup> to accelerate work on the Bulgarian part of the Russian led South Stream natural gas pipeline. The JV will launch a feasibility study for the Bulgarian part of the gas pipeline. Originally it had been seen that the study would have been kicked off in February 2011.

The first deputy prime minister of the Ukraine said today that his country will once again urge Russia to revise the two nations gas agreement when the Ukrainian and Russian prime ministers meet on October 27<sup>th</sup>.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	586,900	\$3.460	\$0.001	\$0.102	\$0.197	(\$0.038)
Chicago City Gate	658,000	\$3.639	\$0.028	\$0.281	\$0.266	\$0.054
NGPL- TX/OK	592,300	\$3.366	(\$0.011)	\$0.008	\$0.227	(\$0.154)
SoCal	320,100	\$3.407	(\$0.106)	\$0.049	\$0.132	(\$0.051)
PG&E Citygate	1,132,700	\$3.928	\$0.028	\$0.570	\$0.266	\$0.382
Dominion-South	319,300	\$3.570	(\$0.040)	\$0.212	\$0.198	\$0.072
USTrade Weighted	20,269,400	\$3.483	(\$0.041)	\$0.125	\$0.20	(\$0.038)

### ELECTRIC MARKET NEWS

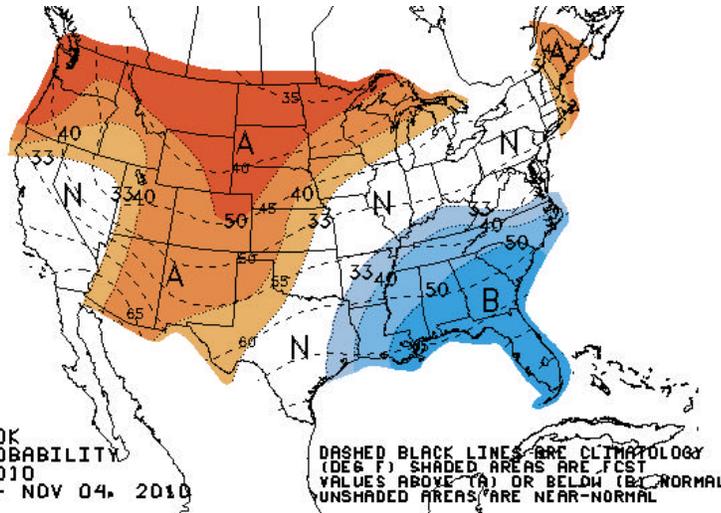
The NRC said today that none of the more than two dozen U.S. boiling water reactors named in a report from GE/Hitachi will have to shut in the near futures. GE/Hitachi told the NRC that it had found a “crack indications” on control rod blades at a non-U.S. nuclear power plant.



The U.S. EPA said it would soon issue new requirements aimed at lowering greenhouse gas emissions from sources like power plants, oil refineries and factories. With plans to begin requiring polluters to obtain permits for their greenhouse gas emissions early next year, the agency is developing rules on the best available control technologies (BACT), that companies should use to minimize the release of these gases.

**ECONOMIC NEWS**

The Independent Conference Board reported Thursday its Leading Economic Index rose 0.3% last month after a revised 0.1% gain in August and a 0.2% gain in July. The Conference Board economist noted though the pace of the growth is so modest that it indicates only lackluster growth ahead and that the economy has no forward momentum.

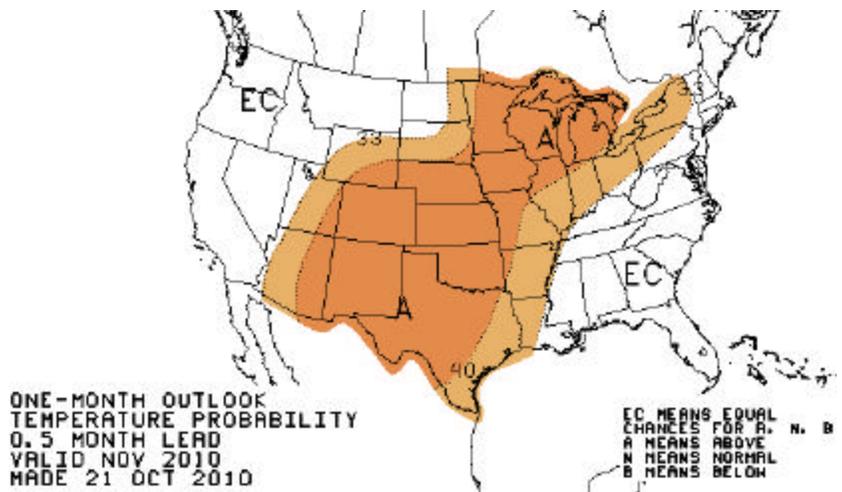


The Labor Department reported today that new U.S. claims for unemployment benefits fell more than expected last week. Initial claims for state unemployment benefits fell 23,000 to a seasonally adjusted 452,000. The government though revised up the prior week's estimate by 13,000 to 475,000.

The chairman of the CFTC said today that its new broad power over swaps markets would affect banks with headquarters outside the United States. The agency said it is sharing proposed rules with EU and Asian regulators as well, but that it will need increased funding to carry out its new requirements.

**MARKET COMMENTARY**

The natural gas market tumbled today as yet another storage report came in larger than a year ago. This was the sixth week in a row this situation has occurred and given the stage of the storage season the pace of injections is helping to quickly close the gap from last year's record storage levels. As of the week ending October 14<sup>th</sup> current stocks are only 48 bcf apart and this should close again next week as well. This coupled with the expectations for moderate weather over the next six weeks and into the early winter, and the continued lack of a threat from the tropics, has kept the bulls from stepping into this market. As a result the November contract continues to erode going into next week's options and futures expiration. We though are willing to remain on the sidelines for the time being. We see support tomorrow starting at \$3.346 followed by \$3.295-\$3.28 and \$3.239. Additional support we see at \$2.911, \$2.623 and \$2.409. Resistance we see at \$3.50, \$3.565, \$3.613, \$3.822 and \$3.934.



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.