



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 11, 2011

#### NATURAL GAS MARKET NEWS

##### North America

Canada's Natural Resource Minister said the country is ready to start exporting LNG from its western coast to Japan and other Asian countries. Mitsubishi Corp., which has a partial ownership in the Cordova Embayment sale gas play has begun discussions about the possibility of exporting LNG to East Asia. The shale play is expected to produce 3.5 million metric tons a year of LNG.

##### Generation Outages

**SERC** - Entergy Corp's Mississippi Grand Gulf nuclear power plant lowered to 48% power early on Friday from 96% power early Thursday. Southern Co's 860MW Unit 2 at the Farley nuclear power plant increased to 30% power early on Friday as the plant started to exit a refueling outage.

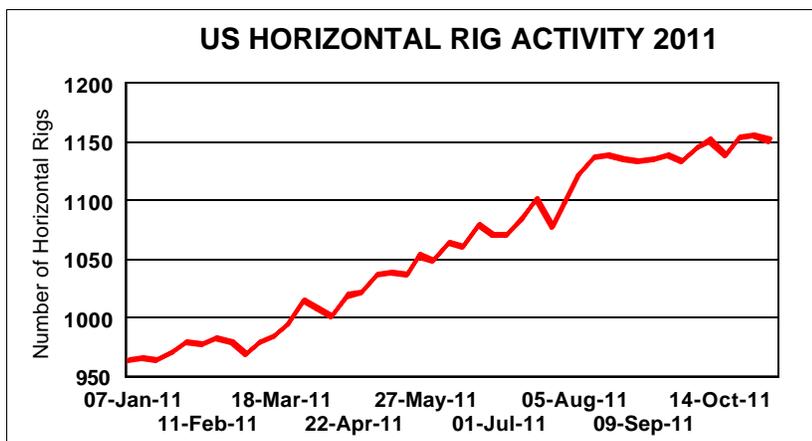
**MRO** - The 770MW Nebraska Public Power District's Cooper nuclear power plant lowed power to 70% on Friday from full power on Thursday.

The United States is expected to be the main export market for natural gas produced at the Angola LNG project scheduled to be completed in 2012.

##### International

Russia's largest non-state gas producer, Novatek, has sold 20% of the Yamal LNG project to Total for \$425 million. Novatek expects to start producing 5 million tonnes of gas in 2016 and expand to 15 million tonnes in 2018.

Gazprom started construction on the Bednodemyanovskoye underground gas storage (UGS) facility on Thursday. The facility is expected to be operational for the 2015-2016 withdrawal season with a gas capacity of 2 bcm. Bednodemyanovskoye is expected to be fully completed for the 2019-2020 withdrawal season with a daily capacity of 5 bcm.

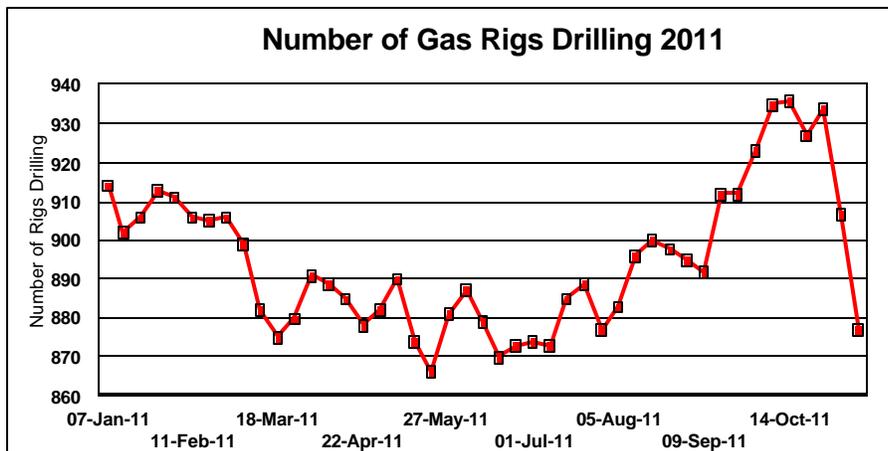


Iran has increased the estimates of its gas reserves by 900 bcm to 34 tcm due to new discoveries made over the last two years. Sanctions imposed by countries that fear Iran is trying to develop nuclear weapons have hurt the country because little western investment slowing its development as a major exporter.

Two blasts set off by remote control blew up a Siani pipeline on Thursday halting gas supplies from Egypt to

Israel and Jordan. It is the sixth attack on the pipeline since President Mubarak lost power in Egypt. The pipeline only resumed flows on October 24<sup>th</sup> from a previous attack and the date when flows are expected to resume has not yet been given.

South Korea's KOGAS sold the gas equivalent to 2.24 million tonnes of LNG domestically in October, a 5.9% increase from a year earlier. Of the 2.24 million tonnes, 1.04 million was used for power generation, a 3.7% increase from last year. The government is attempting to build a 3.5 million tonnes supply by mid-November to help meet winter demand.



The shrinking market for LNG in Europe is set to change in December as Asian countries are planning to reduce their purchase volumes after topping up inventories for the winter. Three cargoes are planned to be offered at a discount in Northwestern Europe with partners at the new Gate LNG terminal the most likely buyers. European LNG supplies are expected to fall by 15.9% in November from last year.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	866,600	\$3.278	(\$0.204)	(\$0.309)	(\$0.115)	(\$0.145)
Chicago City Gate	661,900	\$3.413	(\$0.284)	(\$0.174)	(\$0.193)	(\$0.033)
NGPL- TX/OK	1,109,300	\$3.241	(\$0.170)	(\$0.346)	(\$0.079)	(\$0.305)
SoCal	508,200	\$3.572	(\$0.157)	(\$0.016)	(\$0.066)	\$0.042
PG&E Citygate	524,800	\$3.908	(\$0.104)	\$0.321	(\$0.013)	\$0.321
Dominion-South	563,200	\$3.366	(\$0.274)	(\$0.221)	(\$0.183)	(\$0.127)
UTrade Weighted	21,751,400	\$3.371	(\$0.206)	(\$0.216)	(\$0.11)	(\$0.145)

### Electric Market News

The US NRC approved the restart of Dominion's North Anna nuclear power plant that was located about 10 miles away from the epicenter of an earthquake in August. The earthquake was the first time in history that an US nuclear power plant experienced a

tremor that exceeded the plants design. Dominion was not available for comment at the time of the report but the company issued a statement last week saying the plant would be ready for restart as soon as it received regulatory approval.

### Economic News

US consumer sentiment increased to its highest level in five months in early November. The Thomson Reuters/University of Michigan's preliminary reading on the overall index on consumer sentiment increased to 64.2 in early November from 60.9 in October.

US economic growth increased to an eight week high in the latest week. The Economic Cycle Research Institute said its Weekly Leading Index increased to 122.3 in the week ending November 4<sup>th</sup> from 122.1 the prior week. The index's annualized growth rate increased to minus 8.5% from minus 9.4% a week earlier.

### Market Commentary

The natural gas market continued to trade lower and settled in negative territory for the third consecutive session on Friday. The market opened slightly lower and traded to its high of \$3.659 in overnight trading. The market however erased its slight gains and sold off early in the session in follow through weakness seen on Thursday. The market remained pressured by the continued mild autumn weather and weakening supply and demand fundamentals. It traded to \$3.852 following the opening of the open outcry session and settled in a sideways trading pattern before it sold off further to a low of \$3.57 late in the afternoon. The natural gas market settled down 6.5 cents at \$3.584.

The natural gas market is seen continuing its downward trend as weather forecasts continue to call for warmer than average temperatures into the Thanksgiving holiday. The market is seen finding resistance at \$3.622, \$3.638, its high of \$3.659, \$3.695, \$3.708 and \$3.725. More distant resistance is seen at \$3.748, basis a downward resistance line followed by \$3.847 and \$3.863. Support is seen at \$3.57, \$3.551, \$3.537 basis a support line, \$3.518 and \$3.464.

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