



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 28, 2010**

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#### **NATURAL GAS MARKET NEWS**

Temperatures in the US Northeast are expected to be colder over the next few days than previously forecast but should moderate by New Year's Eve. Population weighted heating degree days in the Northeast on December 31<sup>st</sup> are expected to be on average 5% less than previously forecast and 25% less than the 30 year norm.

#### **Generation Update**

**MAPP-** Atco Ltd/Ontario Power Generation's 570 Mw Brighton Beach natural gas fired power station was shut Monday afternoon.

The NRC reported today that some 95,463 Mw of generating capacity was online today, up 0.35% from yesterday and 1.08% higher than the same day a year ago.

The EIA reported that gross natural gas production in October in the lower 48 states fell 0.2% to 65.72 bcf/d from a downwardly revised September output of 65.87 bcf/d. It was the first monthly decline in gross natural gas production in four months. Lower 48 gross production was still up 4.28 bcf/d or 7% from the same month a year earlier. For the US, including Alaska, gross gas production in October increased 0.6% to 75.16 bcf/d compared with a downwardly revised 74.68 bcf/d in September.

Williams Cos said a gas leak in a natural gas storage cavern in Eminence, Mississippi forced the evacuation of some local residents but did not disrupt gas supplies to customers on its Transco pipeline.

Norway's Statoil said it did not know when its main Barents Sea gas field would resume production following technical problems last week at an onshore processing plant. With the LNG plant out of service, Statoil halted gas production at its offshore Snoehvit field on December 20<sup>th</sup>.

Qatar Energy Minister Abdullah Al Attiyah said the country will award the contract on the 1.5 bcf/d Barzan gas project in early 2011.

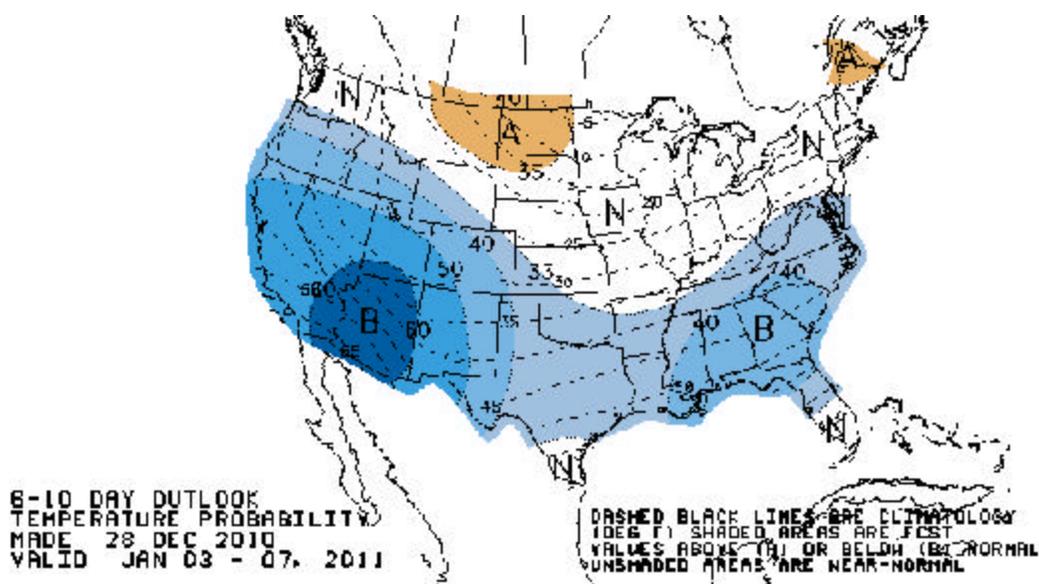
#### **ECONOMIC NEWS**

US consumer confidence unexpectedly deteriorated in December. The Conference Board said its index of consumer attitudes fell to 52.5 in December from an upwardly revised 54.3 in November. The expectations index fell to 71.9 in December from 73.6 in November while the present situation index fell to 23.5 from 25.4.

The Standard & Poor's/Case-Shiller composite index of US single family home prices in 20 metropolitan areas fell 1% in October on a seasonally adjusted basis to 145.32. It was the fourth consecutive decline.

#### **MARKET COMMENTARY**

The natural gas market traded mostly sideways early in the session after it retraced some of its overnight losses. The market's upside seemed to be limited by the milder weather forecasts. However the market breached its resistance above \$4.15 and rallied to a high of \$4.266 on



short covering ahead of the January contract's expiration at the close. The January natural gas contract settled up 10.4 cents at \$4.216. The February contract settled up 12.9 cents at \$4.285.

Given the moderating weather forecasts, the natural gas market's gains will be limited. Accuweather expects temperatures in the Northeast and Midwest to average below normal for the next few days then moderate to above normal later this week and next week. Technically, the natural gas market is seen finding resistance at its high of \$4.321, \$4.369, \$4.387, its 62% retracement level from a high of \$4.635 to a low of \$3.985, followed by \$4.449 and \$4.578. Support is seen at \$4.235, \$4.16 and its low of \$4.112. More distant support is seen at \$4.04, \$4.031, \$4.019, \$3.985 and \$3951.

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