



## 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 MARCH 17, 2011

#### NATURAL GAS MARKET NEWS

##### No. American

The National Oceanic and Atmospheric Administration said below normal temperatures are expected in April through June from the Pacific Northwest across the northern tier of the US to the Great Lakes. Above normal temperatures are forecast for the southern US stretching from southeast California to South Carolina. The country's midsection will form a buffer between extremes, with equal chances of normal, below-normal or above-normal temperatures stretching from northern California across to the mid-Atlantic and Northeast, including parts of the eastern Great Lakes. Equal changes are seen across most of the remaining areas, except for northern New England, where above normal temperatures are expected. It also stated that La Nina weather conditions were expected to remain in place in April. However there is an increased likelihood of neutral conditions by June.

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##### International

The Seri Balqis LNG tanker is expected to arrive at the UK's Isle of Grain terminal on March 23. Capacity for this vessel is 154,000 cubic meters of super-cooled natural gas.

The Dragon and South Hook LNG terminals in South Wales are expecting a total of 16 LNG tankers to arrive during the month of March. Yesterday we reported 14.

Vitol has offered two of its cargoes that were left over from a supply deal with Kuwait to Japan's Tokyo Electric Power Co. No prices have been discussed.

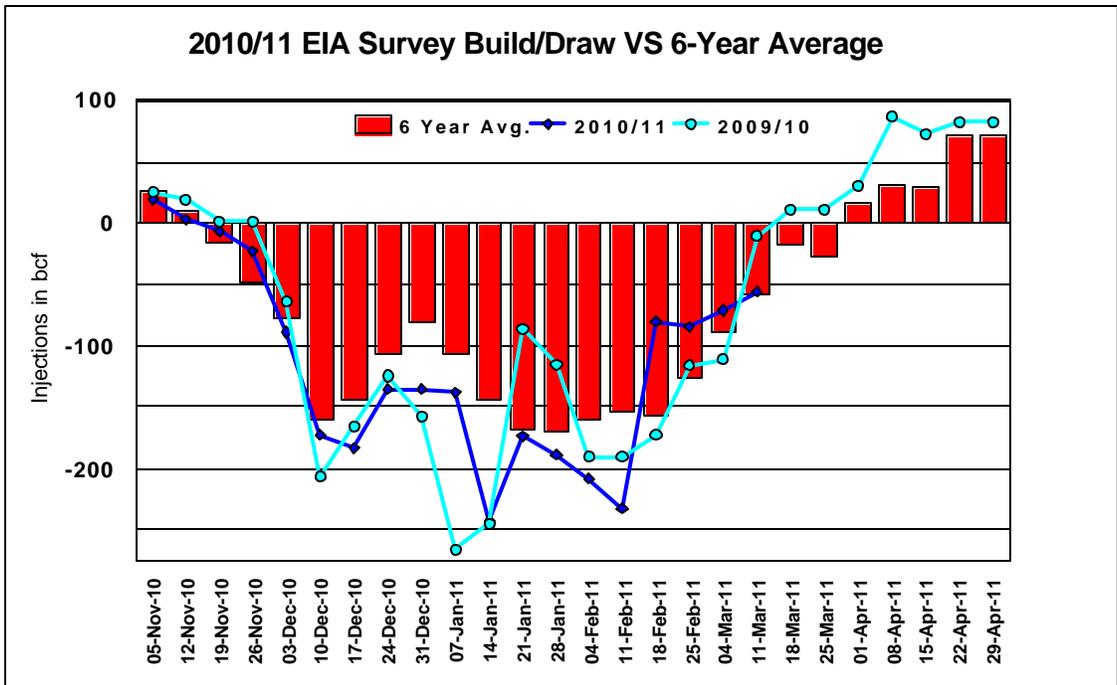
#### ELECTRIC MARKET NEWS

According to a report by the Union of Concerned Scientists, U.S. nuclear power plants have been

	EIA Weekly Report			
	03/11/2011	03/04/2011	Change	03/11/2010
Producing Region	700	703	-3	560
Consuming East	697	748	-51	773
Consuming West	221	223	-2	284
Total US	1618	1674	-56	1617

allowed to operate despite known problems in their safety systems. The report indicated that there were 15 "near-miss" incidents at U.S. plants, noting that this rate is "high for a mature industry." The report also cited incidents where the Nuclear Regulatory

Commission allowed one reactor to continue operating despite a leaky liner in a refueling cavity and in another case, workers were allowed to slow their pace of control rod testing to avoid shutdown. Separately, Chairman of the Federal



Energy Regulatory Commission, Philip Moeller said that that the commission must make sure that the basic infrastructure of U.S. nuclear plants are operated in such a way that they are resilient to the most severe disaster.

The latest report by Japan’s nuclear safety agency states that the pool for cooling spent nuclear fuel at the No. 4 reactor of the stricken Fukushima Daiichi nuclear plant remains a grave concern. Reactor No. 3 has also become a focus of attention as well as the No. 2 reactor, which has now begun to emit smoke. Plant operators had hoped to connect outside cables on Thursday in an effort to cool down the reactors but had to put off the work until Friday. Helicopters have been dropping water over the units in an effort to cool them down.

**ECONOMIC NEWS**

The US Labor Department reported that new claims for unemployment benefits fell as expected last week. It reported that initial claims for unemployment benefits fell by 16,000 to a seasonally adjusted 385,000. The prior week’s figure was revised up to 401,000 from the previously reported 397,000. The four week moving average of unemployment claims fell by 7,000 to 386,250, the lowest level since mid-July 2008. It reported that the number of continuing claims fell by 80,000 to 3,706,000 in the week ending March 5<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 5<sup>th</sup>, unchanged from the previous week.

The US Labor Department also reported that US consumer prices in February increased at their fastest pace since mid-2009 as energy and food prices continued to increase. It stated that the seasonally adjusted Consumer Price Index in February increased by 0.5% from January. This followed increases of 0.4% the previous two months. Over the last 12 months, prices were up 2.1% in February.

**Canadian Gas Association  
Weekly Storage Report**

	11-Mar-11	05-Mar-11	12-Mar-10
<b>East</b>	59.5	63.9	75
<b>West</b>	144.6	159	191.4
<b>Total</b>	204.1	222.8	266.5

The Federal Reserve stated that mild winter weather slowed utilities in the US in February and caused overall industrial production to fall. Industrial production fell by 0.1% in February compared to the prior month. Industries used 76.3% of their capacity, down from upwardly revised 76.4% in January. Industrial production in January was revised up, rising by 0.3%,

instead of the originally estimated decline of 0.1%. The Fed's report showed output by utilities in February fell 4.5%.

The Chicago Federal Reserve Bank's Midwest manufacturing index in January increased by 1.1% to 84.1. Meanwhile, the Federal Reserve Bank of Philadelphia said its index of business conditions in the US Mid-Atlantic region increased in March to 43.4 from 35.9 in February. The six month business conditions outlook was the highest since February 1993 at 63 compared with 46.8 in February. The prices paid index fell to 63.8 in March from 67.2 in February.

### **MARKET COMMENTARY**

The natural gas market was mostly range bound as it held resistance at the \$4 level ahead of the release of the EIA natural gas storage report. The market quickly breached that level and rallied sharply higher in light of the EIA report showing an inventory withdrawal of 56 bcf, which was on the higher end of market expectations. The market traded to \$4.088 and settled in a sideways pattern before it continued to trend higher during the remainder of the session. The market rallied to a high of \$4.168 ahead of the close and settled up 22 cents at \$4.158, a level not seen since early February.

While the natural gas market traded higher on the inventory report, it is seen retracing some of today's sharp gains on Friday. The market is seen finding resistance is seen at its high of \$4.169, \$4.244, \$4.331 and \$4.493. Support is seen at \$4.06, \$4.00, \$3.995, \$3.919, \$3.902, \$3.833 and \$3.746.