



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR MARCH 24, 2011**

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

##### **North America**

The CEO of Sempra LNG said today that he personally does not expect the current price difference between wholesale natural gas prices in North America and other major global LNG markets will continue on a sustained basis and as a result does not expect to see U.S. exports of LNG to become a major force in the global market place. He also noted that one third of the capacity at their two LNG receiving terminals have no supply contracts, while two thirds of their capacity is sold creditable counterparties under 20 year contracts. He noted that the company is "eking out" profits from LNG but its ultimate goal is to try expanding its market footprint.

As a result of the bankruptcy filing by NorthernStar Natural Gas and the abandonment to build the Bradwood Landing LNG terminal in northwest Oregon, Palomar Gas Transmission has filed a notice with the FERC to withdraw its application to build a pipeline to connect to the terminal and serve the Pacific Northwest. The company though will continue to look at building at least the eastern segment of the proposed line.

##### **International**

Gas flows from ExxonMobil's St Fergus terminal in Scotland were reduced for a short time on Thursday due to planned maintenance on a Shell pipeline feeding the terminal. National Grid data showed gas flows were reduced by 10-13 mcm this morning.

Indonesia's oil and gas watchdog, BPMigas reportedly has canceled a spot tender for six LNG cargoes in favor of redirecting the cargoes to Japan. BPMigas reported last week that 20 cargoes of LNG from Pertamina's Bontang plant were available for auction.

Royal Dutch Shell reported that gas exports from Norway increased Thursday after production at the Ormen Lange gas field and the Kollsnes processing plant resumed full operations, after a production decline overnight.

#### **EIA Weekly Report**

	03/18/2011	03/11/2011	Change	03/18/2010
<b>Producing Region</b>	715	700	15	578
<b>Consuming East</b>	675	697	-22	761
<b>Consuming West</b>	222	221	1	285
<b>Total US</b>	1612	1618	-6	1624

\*storage figures in Bcf

Indonesia's state energy firm, Pertamina and state power firm PLN said today they plan to build 8 mini LNG receiving terminals in eastern Indonesia, which will have a combined capacity of 1.4 million tones per year. The eight would join three of the plants that are already planned on the islands of Java and

Sumatra. The companies feel that the mini plants would be a solution for gas needed in the scattered islands of Eastern Indonesia, where it would be difficult to construct a gas pipeline. They hope to have four of the terminals in operation by the end of 2012, two in 2013 and the last two in 2015.

**Canadian Gas Association  
Weekly Storage Report**

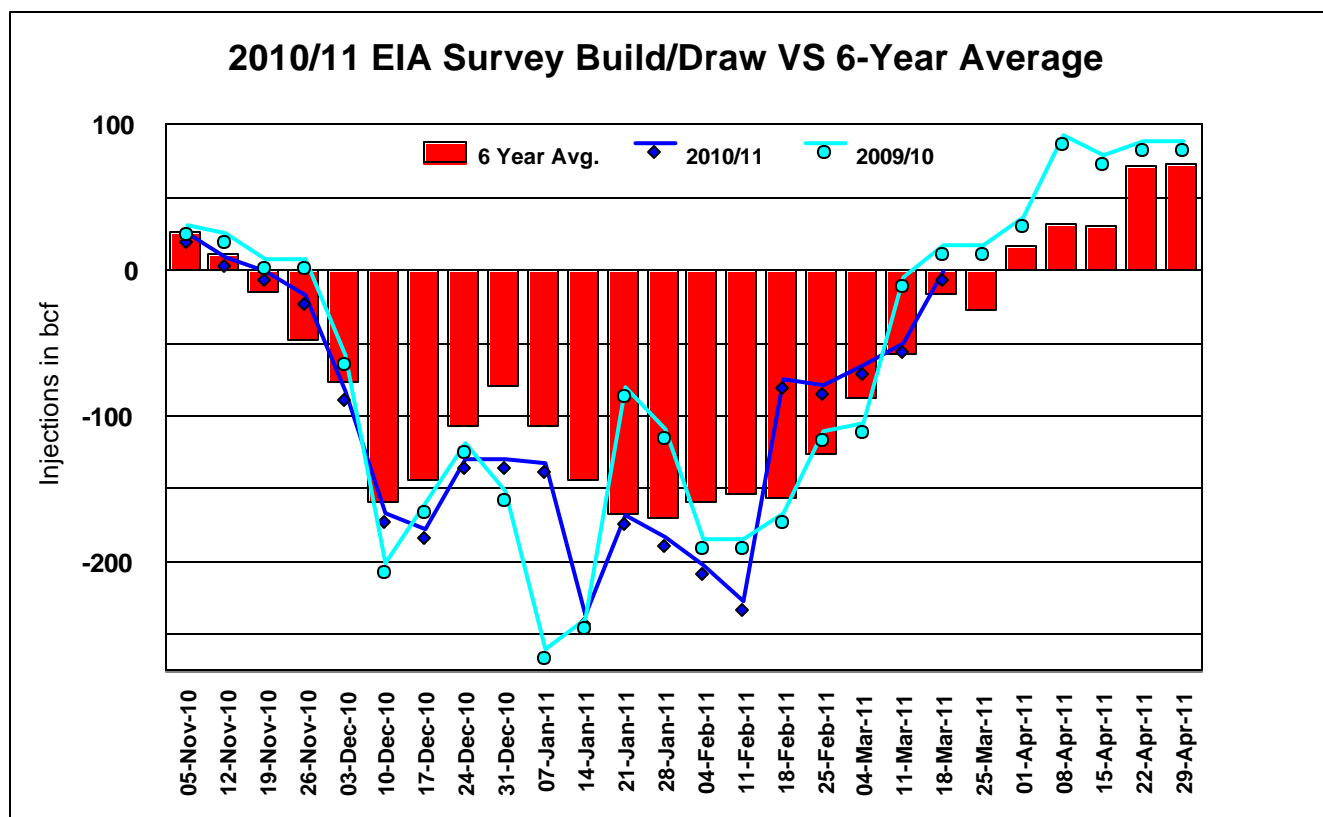
	18-Mar-11	11-Mar-11	19-Mar-10
<b>East</b>	62.4	59.5	79.1
<b>West</b>	140.3	144.6	192.6
<b>Total</b>	202.7	204.1	271.7

storage figures are in Bcf

PetroChina announced today it has started building its third LNG receiving terminal in northern Hebei province. The facility will be built in two phases, the first phase will have a 3.5 million tonne capacity available by the end of 2013, expandable to another 6.5 million tones at phase #2. The company expects supplies for the terminal will be sourced from Qatar and Australia.

**ELECTRIC MARKET NEWS**

According to the inspector general of the NRC, nearly 30% of the U.S. nuclear power plants fail to report equipment defects that present "substantial" safety risks because of contradictions in federal



law. The inspector general noted that one section of the law calls for utilities to report defects that can cause a loss of safety functions while another section of the law requires them to report only actual losses of safety functions. The IG called for the legal issue to be resolved otherwise the margin of safety for operating reactors could be reduced.

**ECONOMIC NEWS**

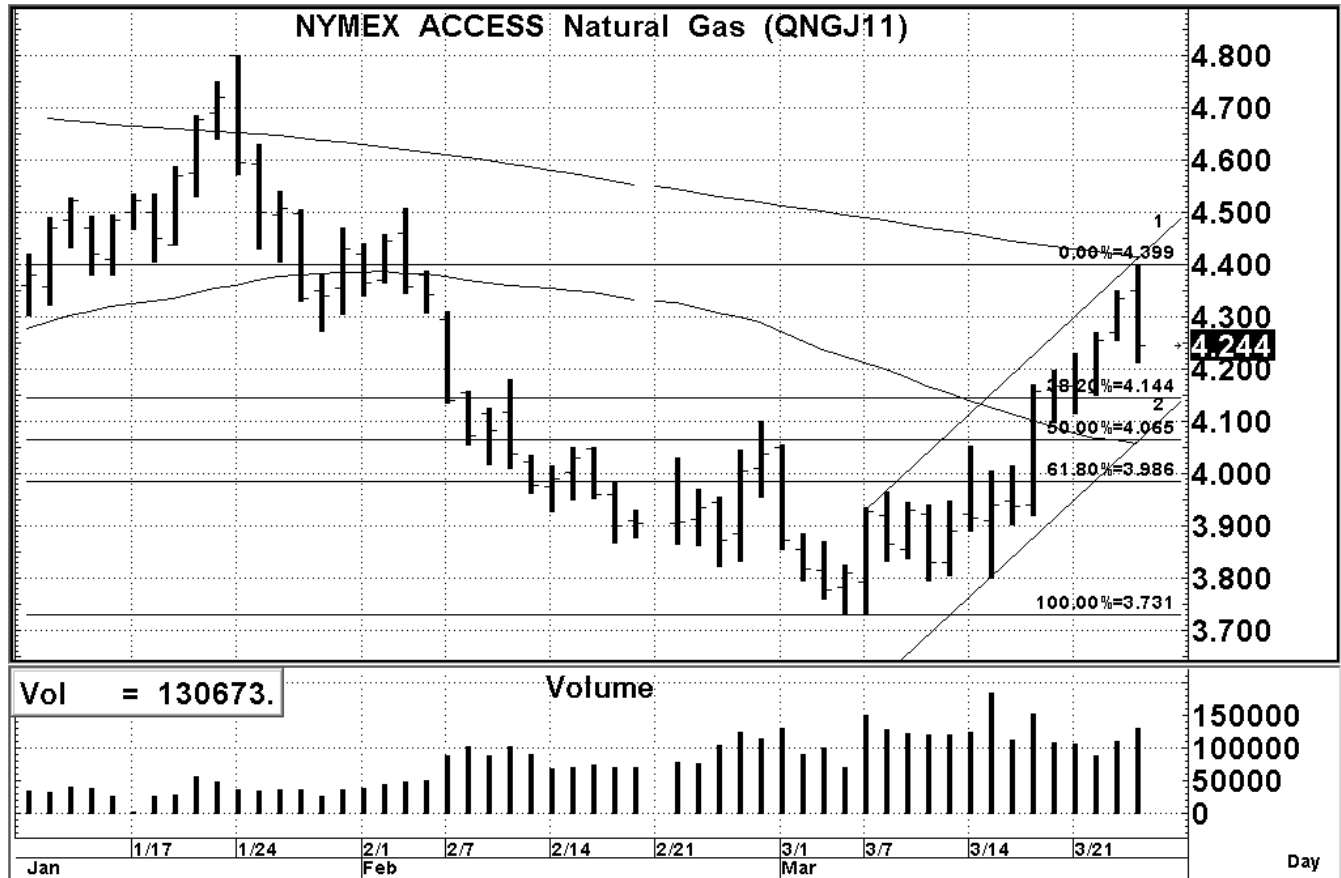
The Labor Department said the number of US workers filing new claims for unemployment benefits fell slightly last week. Initial unemployment claims fell by 5,000 to 382,000 in the week ending March 19<sup>th</sup>. The prior week's figures were revised up slightly to 387,000 from an original estimate of 385,000. The four-week moving average of new claims fell by 1,500 to 385,250 in the week ending March 19<sup>th</sup>. The number of continuing claims fell by 2,000 to 3,721,000 in the week ending March 12<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 12<sup>th</sup>, unchanged from the previous week.

The US Commerce Department said durable goods orders fell in February by 0.9% to a seasonally adjusted \$199.99 billion. The market expected a 1.5% gain in durable goods orders.

The manager of Allianz RCM Commodities Fund said energy and precious metals markets look set to increase, while agricultural prices have peaked for now. Energy and industrial metals markets stand to benefit from the earthquake as Japan rebuilds damaged areas while unrest in the Middle East and North Africa is also expected to support energy and precious metals prices.

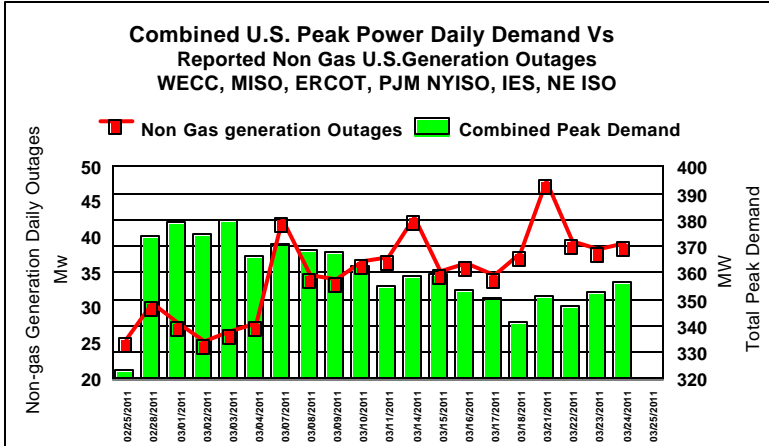
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	640,900	\$4.271	\$0.090	\$0.017	\$0.186	(\$0.047)
Chicago City Gate	590,000	\$4.508	\$0.100	\$0.254	\$0.176	\$0.034
NGPL- TX/OK	958,100	\$4.220	\$0.101	(\$0.034)	\$0.177	(\$0.215)
SoCal	540,900	\$4.315	\$0.075	\$0.061	\$0.151	(\$0.104)
PG&E Citygate	995,100	\$4.596	\$0.091	\$0.342	\$0.167	\$0.208
Dominion-South	374,000	\$4.579	\$0.078	\$0.325	\$0.154	\$0.115
USTRade Weighted	20,169,600	\$4.417	\$0.110	\$0.163	\$0.19	(\$0.047)

The SEC's chairwoman Mary Schapiro said the SEC should consider adopting rules requiring that market participants acquire technology to assure they can function in volatile market conditions. The SEC developed policy statements, not rules, setting out expectations that market participants acquire appropriate technology following Black Monday in October 1987, when stock markets around the world crashed.



**MARKET COMMENTARY**

While the cash market continued to firm today on the back of colder than normal temperatures and non-gas generation outages, the natural gas futures market posted its largest decline since March 10<sup>th</sup>. While the EIA Storage Report came in basically near most analysts' projections, it appeared traders were hoping for a much larger drawdown, one exceeding analysts projection like last week's report did. When these traders' hopes and/or expectations failed to be realized, selling quickly took root and by midday prices had lost nearly 20 cents before stabilizing. While volumes were good they appeared would not be on par with last week's recorded levels.



Technically it can be said the market failed to breach the resistance line of the bullish channel of the past three weeks, as well as the 200 day moving average which today were at \$4.408 and \$4.414 respectively. We would continue to look at these technical points as the key resistance levels for tomorrow and going forward. Support we would look at \$4.144 the 38% retracement of the bull move of the past three weeks, followed by the 50% retracement and 40 day moving average which will be found at

\$4.065 and \$4.059. Additional support we see at \$3.986 and \$3.79 and \$3.731.

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