



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

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

**www.e-windham.com**

### **NATURAL GAS & POWER MARKET REPORT FOR MARCH 31, 2011**

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

##### **North America**

Accuweather forecast an above average 2011 Atlantic hurricane season with a great threat to Gulf of Mexico oil production areas. It said on the Gulf Coast, the greatest threat will be to the Texas and Louisiana coasts in the early part of the season. It forecasts 15 named tropical storms, eight hurricanes with three of them major hurricanes of a category 3 or above.

##### **Generation Outages**

**PJM** - PSEG's 1,100 Mw Salem 1 nuclear unit returned to full power on Thursday from 90% on Wednesday. Its 1,100 Mw Salem 2 nuclear unit ramped up to 90% of capacity from 86% on Wednesday.

**The NRC reported this morning that some 81,497 Mw of nuclear generation capacity is online, up 0.9% from yesterday and some 1.25% higher than the same day a year ago.**

The US Coast Guard said an offshore oil and natural gas pipeline was ruptured late Wednesday during a dredging operation in the Calcasieu Ship Channel near Cameron, Louisiana. The pipeline is linked to an offshore platform owned by El Paso Corp, which has been shut in.

##### **International**

The UK's Milford Haven terminal is expecting the arrival of the LNG tanker, Ondo, hailing from Nigeria. Capacity of this tanker is 149,000 cubic meters of super-cooled natural gas.

BASF's Wintershall said Japan is expected to import 7-10 billion cubic meters more of liquefied natural gas in 2011.

A joint agreement has been made for the development of the Shah sour gas field in Abu Dhabi between Abu Dhabi's state owned oil firm and Los Angeles-based Occidental Petroleum. Under the agreement, Adnoc and Occidental will bear all the costs of the project, which is the largest project of its kind in the Middle East. Expectations are for this field to be able to produce 500 million cubic feet per day of network gas, in addition to a significant amount of condensate and natural gas liquids.

#### **ELECTRIC MARKET NEWS**

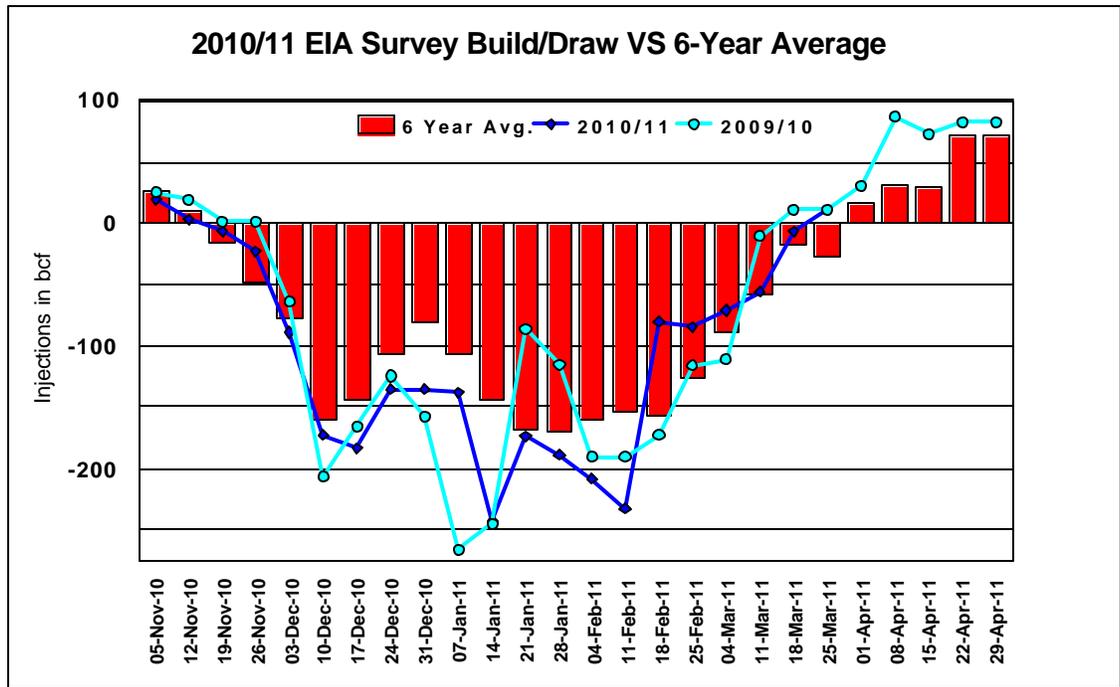
Six U.S. nuclear plants are undergoing intensive reviews as part of a "very conservative" safety review system devised by the U.S. Nuclear Regulatory Commission. The NRC determined that six plants needed additional oversight. The plants included three units at the Oconee plant operated by Duke

	<b>EIA Weekly Report</b>			
	03/25/2011	03/18/2011	Change	03/25/2010
<b>Producing Region</b>	740	715	25	594
<b>Consuming East</b>	668	675	-7	754
<b>Consuming West</b>	216	222	-6	288
<b>Total US</b>	1624	1612	12	1636

Energy DUK.N in South Carolina; the Fort Calhoun operated by Omaha Public Power District in Nebraska; the H.B. Robinson 2 operated by Progress energy PGN.N in South Carolina and Wolf Creek 1 operated by Wolf Creek Nuclear Operating Corp. in Kansas.

Dominion Resources Inc announced a study of an offshore transmission power line. It plans to complete the study this year.

French President, Nicolas Sarkozy announced that his country would like to host a meeting of the



G20 nuclear power watchdogs sometime in May. This comes in the wake of a failure at one of Japan's nuclear reactor sites. Sarkozy is hoping that the Group could meet in an effort to issue new global industry standards.

**ECONOMIC NEWS**

The US Labor Department said the number of US workers filing new claims for unemployment benefits fell slightly last week. Initial jobless claims fell by 6,000 to a seasonally adjusted 388,000 in the week ending March 26<sup>th</sup>. The prior week's figures were revised up to 394,000 from an originally reported 382,000. The four week moving average of new claims increased by 3,250 to 394,250 in the week ending March 26<sup>th</sup>. The report showed that the number of continuing claims fell by 51,000 to 3,714,000 in the week ending March 19<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 19<sup>th</sup>, unchanged from the previous week.

The US Commerce Department said US factory goods orders unexpectedly fell in February. Orders for manufactured goods fell 0.1% to \$445.99 billion from the prior month. In addition, non-defense capital goods orders excluding aircraft fell 0.7% in February. It was the second consecutive decline. The Commerce Department also reported that US wholesale inventories increased by 1% in January while sales total increased by 3.5%.

The Institute for Supply Management-Chicago showed the economy continued to grow in March. The ISM-Chicago's business barometer fell to 70.6 in March from 71.2 in February. The employment component of the business barometer increased to 65.6 in March, the highest reading since December 1983. February's employment index was 59.8. The ISM-Chicago's prices paid index increased to 83.4 in March, up from 81.2 in February.

**Canadian Gas Association**

**Weekly Storage Report**

	25-Mar-11	18-Mar-11	26-Mar-10
<b>East</b>	63	62.4	79.5
<b>West</b>	137.5	140.3	193.7
<b>Total</b>	200.5	202.7	273.2

The Chicago Federal Reserve bank's Midwest Economy Index or MEI increased to 0.35 in February from 0.19 in January, with the service sector making its largest contribution in almost four years. The relative MEI increased to 0.35 in February from 0.28 in January.

The Federal Reserve Bank of Kansas City's monthly manufacturing index in March stood at 39, up from 23 in February.

### **MARKET COMMENTARY**

Today's early session sell-off attracted buyers, despite builds in U.S. gas inventory numbers. The EIA reported a build in natural gas storage of 12 bcf. Cold weather expectations for the Midwestern and Northeastern parts of the U.S. also attracted buyers. The market has recently been under pressure due to the view that production in North America will outpace demand for the first half of this year. The May futures contract traded above resistance at \$4.442 but failed to settle above it. With today's outside trading session and higher settlement, we could see higher prices tomorrow.

We see resistance at \$4.443, \$4.453, \$4.453. More distant resistance we see at \$4.559, \$4.822 and \$4.879. Support is set at \$4.255, \$4.200, \$4.205 and \$4.182.