



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR APRIL 6, 2011**

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

##### **North America**

Dr. Gray and his Colorado State University forecasting team said today that they see the 2011 Atlantic hurricane season will be above average with 16 named storms, nine hurricanes, with five of these storms reaching Category 3 or better. The team sees a 70% chance that one of these major storms will hit the U.S. coastline versus normally a 52% chance of such a strike. The strike probability along the U.S. Gulf Coast is estimated at 47% vs. a normal probability risk of just 30%. The latest outlook was a slight reduction from its early December forecast. Last year spawned 19 named storms, tying it for the third most active hurricane season. The group is basing their active hurricane season forecast on a warm tropical Atlantic sea surface temperatures, combined with neutral tropical Pacific sea surface temperatures. The forecast though was lowered as a result of a slight cooling in tropical Atlantic sea surface temperatures since December. As a point of reference AccuWeather has forecast the upcoming season to see 15 named storms and eight hurricanes while private weather forecasting group WSI Corp has called for 17 named storms, with 9 become hurricanes.

##### **Generation Outages**

**SPP** - Entergy's 1176 Mw Waterford #3 nuclear unit was shut early Wednesday for scheduled refueling. The plant had been at 85% power on Tuesday.

**SERC** - TVA's 1104 Mw Browns Ferry #2 nuclear unit began to exit its recent outage today. The unit had been shut since February 26 for refueling. -\*

**The NRC reported this morning that some 73,918 Mw of nuclear generation capacity is online, down 0.5% from yesterday and down 1.6% from a year ago.**

A TransCanada Corporation warned that a bill before the Alaska House of Representatives that seeks to create a rebuttable presumption that the company's natural gas pipeline project is uneconomic because it failed to garner sufficient firm transportation commitments during its first open season, amounts to unilateral changing of the rules by the state and jeopardizes the project and possibly any future gas line projects in the state. The sponsors of the legislation have grown impatient with the pace of the development of the gas line by TransCanada and thus feel the legislation will spur them to move forward or provide the state with an exit from its contract with TransCanada by triggering an abandonment clause in the Alaska Gasline Inducement Act. Under the agreement the state is on the hook for up to \$500 million in cost reimbursements for the first phases of the project. The sponsor of the legislation said yesterday that the global economic framework under which the original agreement was based on may no longer exist and make the AGIA an uneconomic project, if so Alaska needs to know before more potential markets for the state's gas is lost to other producers around the world.

The FERC said today that in the event of a government shutdown, a number of staff at the FERC's reliability and market monitoring offices are likely to be designated as essential employees so some level of continuing oversight of the markets will continue

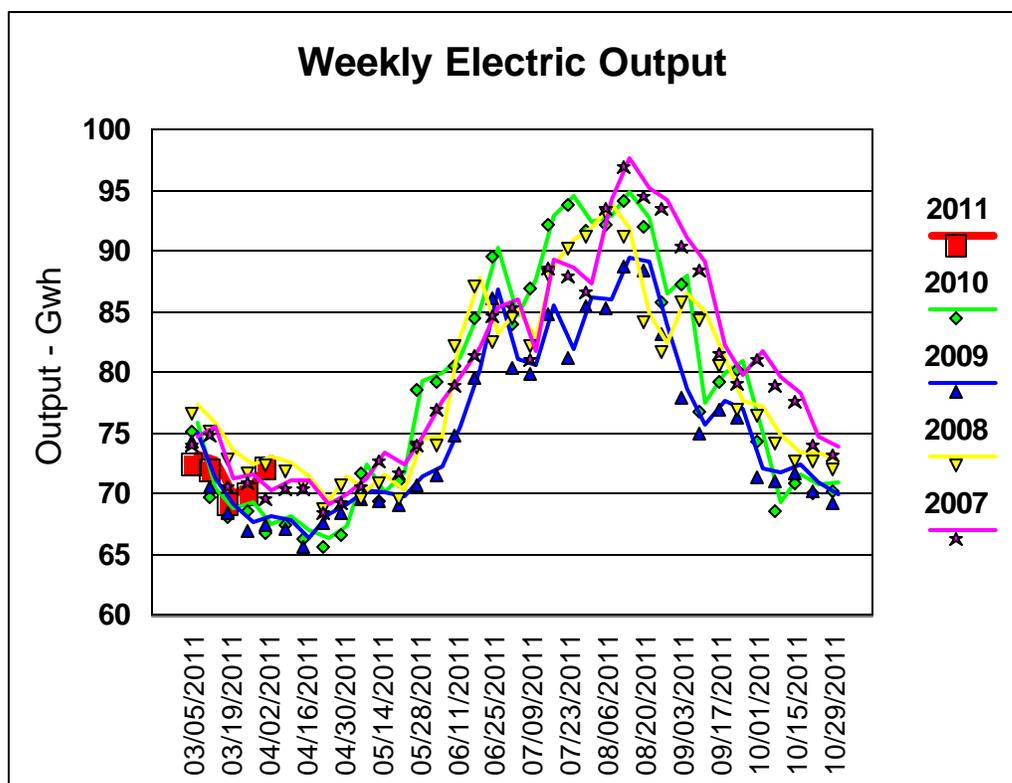
##### **International**

Rasgas, the Qatari LNG producer said Wednesday that it has aided in the supply of additional LNG to Japan following last month's earthquake and tsunami. Rasgas said it has been supporting its sister company, Qatargas in supplying the LNG to be shipped to Japan. The company confirmed it has supplied them with a couple of cargoes. Analysts have estimated that Japan may need an extra 1 bcf/d of LNG this year to make up for the shortfall of nuclear power. This would equate to an extra cargo every three days delivered into Japan's fourteen terminals.

PetroChina said today that it plans to build an underground natural gas strategic reserve depot with a capacity of 4 bcm in the northwestern Xinjiang. The Hutubi gas reserve project will be built in two phases over four years and is scheduled to begin storing gas in June 2012. It will be the first facility linked with the second West-East Gas Pipeline.

The Al Mayeda LNG tanker is scheduled to arrive at the South Hook LNG terminal on April 6<sup>th</sup> from Qatar. Meanwhile the Maersk Meridan LNG tanker is slated to arrive at the Dragon LNG terminal on April 14<sup>th</sup> from Norway.

The EIA late yesterday released an overview report on the global shale gas situation. The agency noted that the North American shale gas boom could just be the tip of a gigantic natural gas iceberg. The U.S. has seen shale production grow from 0.39 tcf in 2000 to 4.87 tcf in 2010 or 23% of total U.S. natural gas production. The EIA estimates that natural gas shale rock formations in 32 countries could contain a combined 5.76 tcf of technically recoverable gas. This would be seven times the amount present in the U.S. The agency estimates that China potentially has the largest overseas natural gas shale recoverable reserves. The complete report can be found at <http://www.eia.gov/analysis/studies/worldshalegas/>



**ELECTRIC MARKET NEWS**

The IEA said Wednesday that electricity generation from renewable resources must be doubled by 2020 if global efforts to halve carbon dioxide emissions by 2050 are to be successful. The IEA estimated that renewable power generation grew by just 2.7% over the past decade while overall power generation increased by 3%. The agency noted that coal has accounted for 47% of all new power generation demand over the past decade.

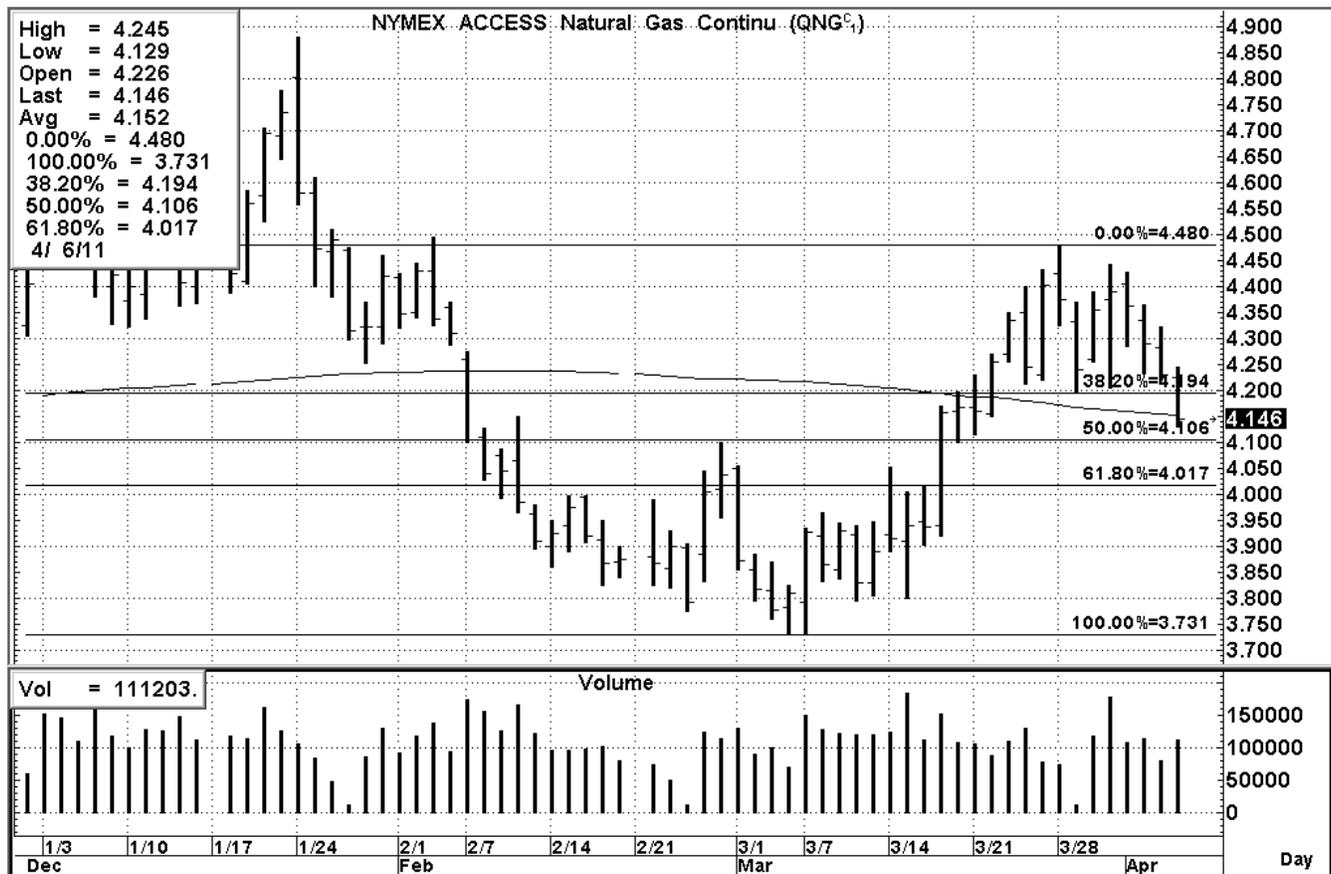
Kuwait reportedly is in negotiation with international oil companies to import natural gas from Iraq, possibly within 12-18 months. Yesterday the planning director of Kuwait Petroleum said that Kuwait

has increased imports of LNG to help meet local demand for natural gas, and should see imports averaging 500 MMcf/d from March through November of this year.

The Edison Electric Institute reported today that power production in the United States for the week ending April 2<sup>nd</sup> reached 72,250 Gwh, up 3% from the prior week and 7.5% higher than the same week a year ago.

Congressman Markey said Wednesday that the U.S. NRC had warned that Japan's Fukushima #2 nuclear reactor may have melted down, but a regulatory official said that was not yet certain. The Japanese reported earlier Wednesday that they had stopped highly radioactive water from the plant from leaking into the sea.

The U.S. NRC said today that it is conducting special inspections at the Braidwood and Byron nuclear plants to review the handling of two equipment issues. The issues have been resolved in February and did not cause any immediate threat to public health the NRC said in the statement. The inspections, to be carried out in the next 45 days, will review the issues in the backup systems and Exelon's actions in resolving them.



**ECONOMIC NEWS**

The Mortgage Bankers Association said applications for US home mortgages fell last week as a drop in refinancing outweighed an increase of loan requests for home purchases. Its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase loan demand, fell by 2% in the week ending April 1<sup>st</sup>. The MBA's seasonally adjusted index of refinancing applications fell by 6.2% while the index of loan requests for home purchases increased by 6.7% to its highest level of the year.

The Chicago Federal Reserve Bank's Midwest Manufacturing Index in February increased by 1.3% to 83.3.

Atlanta Federal Reserve Bank President Dennis Lockhart said he does not see the need to increase interest rates before the end of the year. He said the Federal Reserve should complete its \$600 billion bond program, known as QE2, as planned. He said the QE2 program has helped the economy.

### **MARKET COMMENTARY**

The natural gas market remained on its downward glide path as it settled lower for the fourth consecutive session. Prices this afternoon broke back below the 200 day moving average on the spot continuation charts at buyers remained reluctant to jump back into this market during the shoulder period as well as being in front of tomorrow's storage report.

Market expectations for tomorrow's EIA natural gas storage report appear to be running between 35-70 bcf decline with most estimates centered around a 50 bcf decline. Stocks a year ago rose by an adjusted 29 bcf while the five-year seasonal average shows a build of 13 bcf.

While we feel there may be some buying after the storage report tomorrow, given the potential for a non-seasonal draw in stocks, we continue to feel that the general path for this market is back toward a test of the \$4.00 level. We see support at \$4.106-\$4.093, \$4.017-\$3.979 and \$3.805. Resistance we see at \$4.297, \$4.344 and \$4.395. More distant resistance we see at \$4.453 and \$4.56.

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