



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR APRIL 19, 2011

#### NATURAL GAS MARKET NEWS

##### North America

Analysts at Waterborne Energy noted that Qatar's decision to send more LNG cargoes toward Japan over the next year could draw cargoes of the fuel away from North America, increasing the reliance on Trinidad as a LNG supplier. While prolific U.S. shale production should keep the U.S. market well supplied, Canada could see a change in its source of LNG imports. The Canport terminal in New Brunswick, Canada, which has received flexible supply from Qatargas in the past, may now be forced to take more cargoes from the U.S. top LNG supplier, Trinidad. U.S. LNG terminals along the Gulf Coast which last year took in some Qatari sourced cargoes for re-export later in the year will also see less activity this summer as well it appears. Even a cargo that was slated for delivery from Peru this past month into the US Gulf was re-directed to Japan.

##### Generation Outages

**NPCC** – Constellation Energy Group's 621-Mw Nine Mile Point 1 nuclear unit started to exit its refueling outage and ramped up to 1% by early Tuesday morning. The unit had been shut on March 21<sup>st</sup> for planned refueling and maintenance.

**SERC** – Progress Energy Inc's 920-Mw Brunswick 2 nuclear unit was shut early Tuesday for repairs. It was operating at 13% on Monday.

**The NRC reported this morning that some 70,617 Mw of nuclear generation capacity is online, down 0.07% from yesterday and down 7.73% from a year ago.**

The NYMEX reported at midday that open interest in the Henry Hub natural gas futures contract yesterday climbed to an all time high on Monday, growing by 13,876 lots to a new record 993,196 lots.

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	938,200	\$4.194	(\$0.039)	(\$0.046)	(\$0.152)	\$0.001
Chicago City Gate	1,195,300	\$4.442	\$0.013	\$0.202	(\$0.120)	\$0.121
NGPL- TX/OK	797,300	\$4.109	(\$0.046)	(\$0.131)	(\$0.179)	(\$0.099)
SoCal	259,800	\$4.260	(\$0.014)	\$0.019	(\$0.147)	\$0.029
PG&E Citygate	1,675,800	\$4.377	(\$0.008)	\$0.137	(\$0.141)	\$0.166
Dominion-South	488,600	\$4.380	(\$0.029)	\$0.140	(\$0.162)	\$0.164
USTrade Weighted	23,257,400	\$4.239	(\$0.019)	(\$0.001)	(\$0.15)	\$0.001

This eclipsed the previous record set on March 1, 2011 at 982,208 contracts.

T. Boone Pickens told the National Press Club today that hydraulic fracturing has been around for

decades with little or no environmental problems and said it is a process that is key to the nation's goal of moving toward energy independence. Pickens noted that he fracked his first well in 1950s and went on to use the technology in more than 3000 wells without any contamination of domestic water supplies or other environmental mishaps. He felt the bulk of the concerns now being expressed are misguided and centered on the Marcellus Shale region, an area that is very new to the process. He noted that the states of Texas, Oklahoma and Kansas where the practice is better known are not raising any issues.

The EIA late Monday projected that the U.S. natural gas industry will enter the upcoming winter heating season with record inventories, slightly more than 3.9 tcf, some 61 bcf higher than this past year.

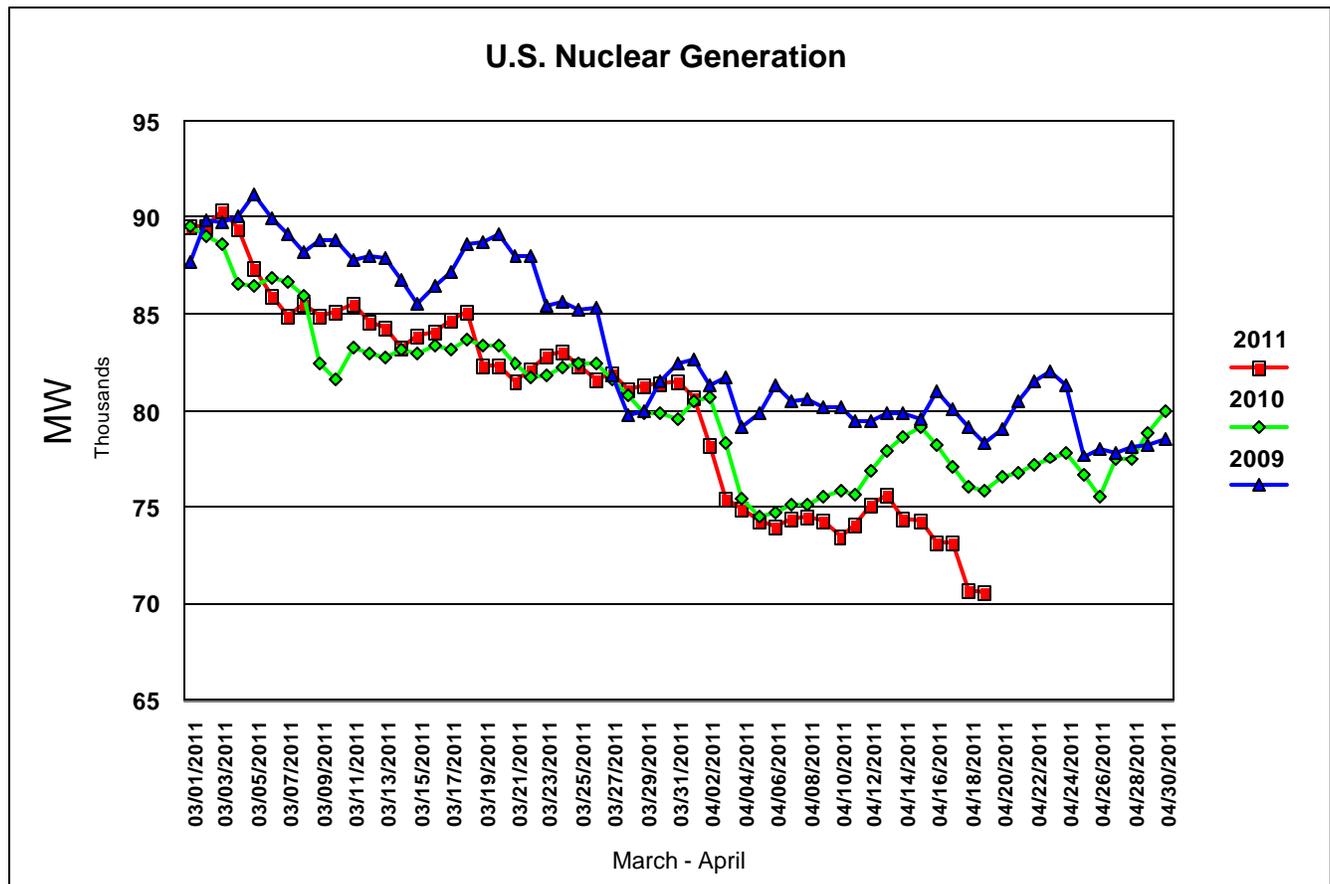
Excelerate Energy will retire and dismantle its underused LNG import terminal offshore in the U.S. Gulf of Mexico. The company, which had invested \$70 million in the terminal, the Gulf Gateway Energy Bridge Deepwater Port, which opened in 2005, had been unable to import a single cargo there for nearly four years. The company had planned for the terminal to receive at least one LNG cargo per week. The terminal will be removed within 68 days of a permit approval.

**International**

Reuters reported today that Qatargas is set to supply 360,000 tonnes of LNG to Chubu Electric Power Company in April. This extra supply is part of what Qatargas said on Saturday would be 4 million tones of extra supply of LNG to Japan over the next 12 months. Chubu Electric said this extra supply would make up for the fall in power generation at its sole nuclear power plant, the 1100 Mw Hamaoka plant, which was shut in November for planned maintenance and remained shut following the March 11<sup>th</sup> earthquake in order to improve safety measures.

Russia's Sakhalin Energy reported today that it is shipping three extra 150,000 LNG tankers per month to Japan. This would now result in a monthly total of 15 tankers.

Qatar's Al Jassasiya liquefied natural gas tanker is scheduled to arrive at Belgium's Zeebrugge import terminal on May 3<sup>rd</sup>.



Turkey's Botas said it would begin purchasing gas from Azerbaijan's Shah Deniz II, the second development phase of the Caspian Sea project when it comes on stream in 2017 and increase imports

to 10 billion cubic meters a year by 2020. Turkey previously planned yearly imports of 6 billion cubic meters. Increased volumes to Turkey from the project could threaten European pipeline projects, including the EU backed Nabucco pipeline project as it leaves less gas for shipments to Europe. Three pipeline projects, including Nabucco, are competing to get supplies from Shah Deniz II to send to Europe.

National Grid said today that it expects Britain's power and gas supply margins should be comfortable. They note that current fuel prices favor coal as a generating fuel over natural gas.

### **ELECTRIC MARKET NEWS**

The US Northwest River Forecast Center said projected water runoff at the Dalles Dam on the Columbia River increased to 122% of normal for January-July. It is up from last week's forecast of 119% of normal.

### **ECONOMIC NEWS**

The US Commerce Department said US home construction in March bounced back from February's low level. It stated that construction of homes and apartments in March increased by 7.2% on the month to a seasonally adjusted annual rate of 549,000 from a revised 512,000 in February. Building permits increased 11.2% on the month to an annual rate of 594,000. Meanwhile, housing units completed fell 14.2% to an annual rate of 509,000, the lowest figure on record.

US Treasury Secretary Timothy Geithner said there was no risk of a downgrade after Standard & Poor's threatened to lower its top tier rating on US government debt. He said prospects for a deficit reduction deal were improving. Standard & Poor's threatened to downgrade its AAA rating on US Treasury debt unless the Obama administration and Congress find a way to cut the federal budget deficit within two years.

Growth in euro zone services sector fell slightly this month. The Flash Markit Euro zone Services Purchasing Managers Index fell to 56.9 in April from the previous month's 57.2. The Flash Manufacturing PMI increased to 57.7 from 57.5 in March while the output index increased to 60 from 58.5. The euro zone composite PMI increased to 57.8 from March's 57.6.

China's factory expansion stabilized in April. The HSBC flash manufacturing purchasing managers' index was at 51.8 in April, unchanged from the final reading in March. The flash PMI indicated limited impact on China's factories from the disruption to global supply chains after Japan's earthquake and tsunami.

China, a large holder of US Treasury bonds, urged the US to adopt responsible measures after Standard & Poor's cut the outlook on US sovereign debt to negative. China's foreign ministry spokesman said China hopes the US will adopt responsible policy measures to protect the interests of investors.

A deputy governor at China's central bank said China has room to further increase its reserve requirement ratio for banks. He said China faces a relatively big challenge in meeting its full year inflation target of 4%.

Goldman Sachs increased its commodities trading risk by 60% in the first quarter amid a rally in oil, metals and grains. Goldman Sachs's value at risk (VaR) for commodities averaged \$37 million in the first three months of the year compared with \$23 million in the previous quarter. However it was lower compared with the \$49 million reported in the first quarter of 2010. Goldman Sachs however posted a 72% decline in first quarter profits to \$908 million as it made less money from trading bonds for clients.

## **MARKET COMMENTARY**

The natural gas market erased yesterday's losses and moved higher today as improving power demand coupled with restricted nuclear generation levels helped to support the futures market. This market though remains very volatile, as three of the last four trading sessions have seen daily trading ranges of 15 cents or more. We feel that once nuclear generation levels begin to rebound we should see sellers return to this market. We see resistance tomorrow at \$4.339-\$4.343 followed by \$4.359, \$4.453 and \$4.56. Support we see at \$4.177, \$4.142 and \$4.106. More significant support we see at \$4.063, \$4.058 and \$3.99.

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