



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR JUNE 16, 2011**

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

##### **North America**

The National Oceanic and Atmospheric Administration said the southern US, from Florida to eastern California, will see above normal temperatures in July through September. Below normal temperatures are expected in the northern Great Plains to northern Rockies. All other regions show equal chances of normal, above normal or below normal temperatures.

##### **International**

Russian gas firm Gazprom expects natural gas exports to rise by 22% this year under current dynamics, the company's chief executive, Alexei Miller, said Thursday. Gazprom's gas exports increased by 24 billion cubic meters in the first five months of the year compared with the same period last year, Miller said.

Russian President Dmitry Medvedev said China and Russia are finalizing documents to end a fractious dispute over a crucial gas deal after meeting with Chinese President Hu Jintao on Thursday. He has made securing energy for the world's second-biggest economy a diplomatic priority, but relations with Russia in this key area have not been smooth. The two sides have been bogged down in disagreements on pricing for the gas that Russian energy giant would pump to China via two routes. In a measure of pessimism about the prospects for a deal, Russian pipeline deliveries of gas to China have not been included in the International Energy Agency's five-year view of the gas market, its head of gas, coal and power markets said. Negotiators for China National Petroleum Corp have indicated that they will pay no more than \$250 per thousand cubic meters, sources at Gazprom said on Wednesday. Russia's gas export monopoly is still targeting a price that will make deliveries to China as profitable as those to their European clients. An agreement on the gas project would be a significant achievement for Hu, who has courted Russia as a way of increasing energy security as heady economic growth increasingly forces China to look abroad for oil and gas.

#### **EIA Weekly Report**

	06/10/2011	06/03/2011	Change	06/10/2011
<b>Producing Region</b>	944	938	6	916
<b>Consuming East</b>	1008	960	48	1193
<b>Consuming West</b>	304	289	15	422
<b>Total US</b>	2256	2187	69	2531

Abu Dhabi's Dolphin Energy said on Thursday its supply of gas from its Qatar plant to the United Arab Emirates has been slashed to 1.8 billion cubic feet from 2

#### **Generation Outages**

**MISO** - Exelon Corp's 867-megawatt Unit 1 at the Quad Cities nuclear power plant in Illinois exited outage and ramped up to 77 percent power by early Thursday, the US Nuclear Regulatory Commission said in its report. The unit was shut on Monday due to a steam leak associated with a turbine.

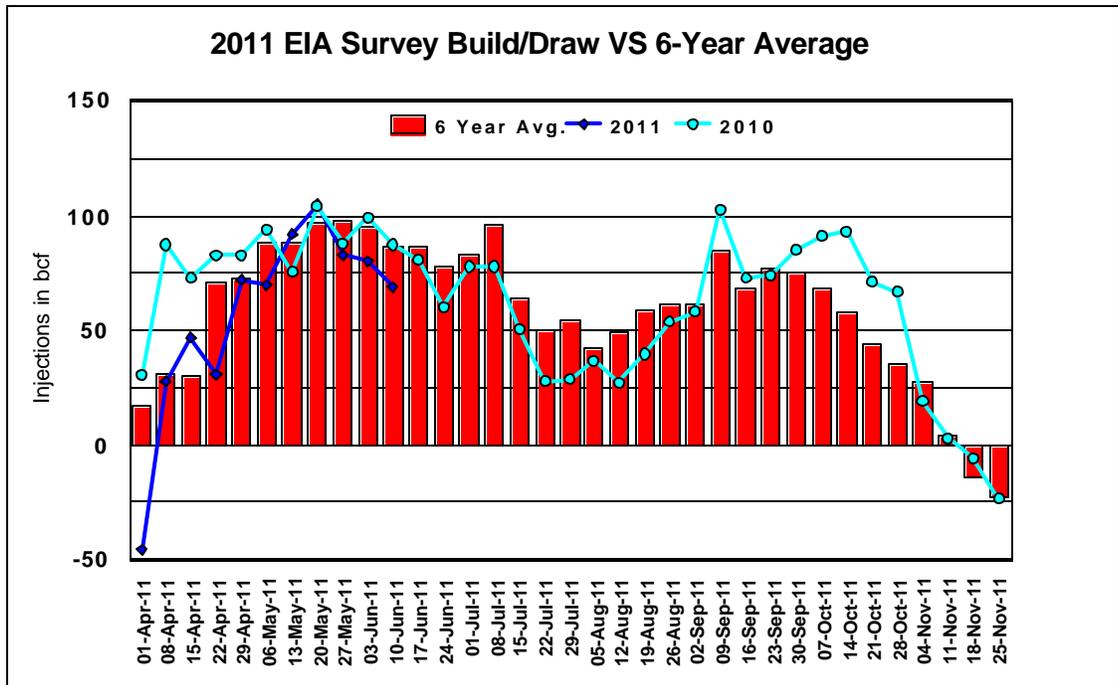
**SERC** - Dominion Resources Inc's 799-megawatt Surry 2 nuclear power station in Virginia began to exit its refueling outage and ramped up to 2 percent power by early Thursday, the US NRC said in a report. The unit shut on April 17 for its scheduled refueling.

Progress Energy Inc's 920-megawatt Unit 2 at the Brunswick nuclear power station in North Carolina dipped to 47 percent power by early Thursday from full power early Wednesday, the US NRC said in a report. Meanwhile, the 938-MW Unit 1 was operating at full capacity.

**The NRC reported this morning that some 89,690 Mw of nuclear generation was online, up 0.25% from yesterday and 2.97% below levels recorded a year ago.**

billion cubic feet.

The Nabucco gas pipeline project may seek new partners to meet rising costs and is in talks with companies including BP, Shell, Socar, Statoil, GDF Suez and Total, consortium sources told Reuters. Gas producing



companies will be preferred as partners, according to Nabucco sources. The pipeline may be extended for another 45 km, but the final decision has not been made according to the same sources.

Global demand for natural gas will rise by 13.6 percent between 2010 and 2016, with the bulk of growth coming from rising power generation, the International Energy Agency said on Thursday. Global gas demand in 2010 was an estimated 3,284 billion cubic meters and the IEA said it expected it to rise to around 3,800 bcm by 2016. The report also said 2010 saw the biggest ever increase in LNG trading, with a rise of 25 percent to 299 bcm, and Qatar being the biggest supplier.

The Ramdane Abane LNG tanker, which has a 126,000 cubic meter capacity, is expected to arrive at Britain's Isle of Grain terminal on June 20 from Algeria.

**ECONOMIC NEWS**

The US Labor Department said initial unemployment claims fell by 16,000 to a seasonally adjusted 414,000 in the week ending June 11<sup>th</sup>. The prior week's level was revised to 430,000 from an originally reported 427,000. The four week moving average of new claims remained unchanged at last week's 424,750 level. The Labor Department said the number of continuing unemployment benefit claims fell by 21,000 to 3,675,000 in the week ending June 4<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 2.9% in the week ending June 4<sup>th</sup>, unchanged on the week.

The US Commerce Department said the US current account deficit increased in the first quarter of 2011, due to higher imports. The current account deficit in the first quarter totaled \$119.3 billion, up from a \$112.2 billion deficit at the end of 2010. In the first quarter, the US trade deficit widened to \$140.8 billion from \$118.7 billion in the fourth quarter.

**Canadian Gas Association  
Weekly Storage Report**

	10-Jun-11	03-Jun-11	11-Jun-10
<b>East</b>	110.8	101.3	131.3
<b>West</b>	230.1	215.5	280.7
<b>Total</b>	340.8	316.8	412

The Commerce Department also reported that US housing starts in May increased by 3.5% following a decline of 8.8% in April.

According to a Reuters survey, the US housing market is expected to fall further this year and remain the same in 2012. US home prices as measured by Standard & Poor's 20 city Composite Home Price Index is expected to fall 5% in 2011 as a

whole before finding a floor and increasing just 0.5% in 2012.

The Philadelphia Federal Reserve Bank said its business activity index fell to minus 7.7 in June from positive 3.9 in May. Factory activity in the US Mid-Atlantic region unexpectedly fell in June to its lowest level in nearly 2 years. The new orders index also fell to minus 7.6 from 5.4 in May while inventories fell to minus 8.5 from minus 5.4.

### **MARKET COMMENTARY**

The natural gas market settled in negative territory for the fourth consecutive session, as moderate weather drove the market lower. The market posted a high of \$4.595 in early morning trading and traded mostly sideways ahead of the release of the EIA weekly natural gas inventory report. However the market retraced more than 62% of its move from a low of \$4.14 to a high of \$4.983 as it sold off to a low of \$4.452 upon release of the inventory report. This was despite the report showing a build of 69 bcf, which was within market expectations. The market held some support but was later pushed lower by further selling in afternoon trading. It posted a low of \$4.408, a three week low, and settled down 16.5 cents at \$4.412.

Technically, the natural gas market is seen finding resistance at \$4.50, \$4.53 followed by \$4.659 and \$4.722. More distant resistance is seen at \$4.752 and \$4.807. Support is seen at its low of \$4.408, \$4.348, \$4.285 and \$4.161.