



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR JUNE 23, 2011**

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

##### **North America**

The US Environmental Protection Agency released on Thursday the locations in five states where it will study the safety of a natural gas drilling technique some blame for polluting water. The EPA expects the initial results from its study on hydraulic fracturing, or fracking, which was mandated by Congress, will be released by the end of next year. The agency said it will study fracking and monitor "key aspects of the hydraulic fracturing process throughout the lifecycle of a well" in Haynesville Shale formation in Desoto Parish, Louisiana, and the Marcellus Shale in Washington County, Pennsylvania. It will also do retrospective case studies in North Dakota, Texas, Pennsylvania and Colorado. In those studies, the agency will gather information from reviews, data and information from states, industry and communities.

##### **Generation Outages**

**NPCC** – Dominion’s 877 Mw Millstone #2 nuclear unit returned to service today after being shut on June 21<sup>st</sup> following the loss of one of its main feedwater pumps.

**PJM** – PPL’s 1149 Mw Susquehanna #1 nuclear unit started to exit its outage and was at 2% power this morning. The unit has been offline since May 16<sup>th</sup> for inspection work. Unit #2 remains out of service.

**SERC** – TVA’s 1126 mw Sequoyah #2 nuclear unit exited its refueling outage and was up to 34% power this morning. The unit has been shut since May 23<sup>rd</sup>.

**SPP** - The Wolf Creek 1166 Mw nuclear unit has exited its recent refueling outage and was at 7% power this morning.

**The NRC reported this morning that some 89,644 Mw of nuclear generation was online, up 1.1% from yesterday and 3.8% below levels recorded a year ago.**

While the national Hurricane Center continues to say that there is no chance for any tropical

##### **EIA Weekly Report**

	06/17/2011	06/10/2011	Change	06/17/2011
<b>Producing Region</b>	960	944	16	933
<b>Consuming East</b>	1072	1008	64	1244
<b>Consuming West</b>	322	304	18	436
<b>Total US</b>	2354	2256	98	2612

\*storage figures in Bcf

development over the next 48 hours in the Atlantic basin, almost all the major model guidance fore aasting models are pointing to a high likihood for some tropical development in the western Gulf of mexico by late this weekend or early next week.

These models all seem to be pointing to the the catalysts of this development will be a tropical wave thatis located over the east-central Caribbean near 68 West Longitude. This tropical wave is expected to interact with the monsoonal trough of low pressure in the area of the Yucatan Peninsula this weekend. The models either point to a tropical storm or hurricane developing but all of the moidels have the system coming ashore south of the U.S. Mexican border by later next week.

The developers of the Jordan Cove LNG orject and the associated Pacific Connector pipeline have not ruled out the possibility of using the facility as an export terminal, but they have not reached the point that they are ready to commit to filing an export application with the FERC.

Barclay’s Capital in a research paper noted that the cheapest option for fueling Mexican powe rplants would be to pipe natural gas soputh from the U.S. and into Mexico.

AProvincial officials in new Brunswick, Canada said today that while the province was enacting tougher natural gas regulations in the emerging Frederick Brook Shale Development the province would not implement a ban on hydraulic fracturing.

**International**

Power use at the Royal Dutch Shell plant processing gas from the giant Ormen Lange field off Norway dropped sharply on Thursday due to a technical problem, the firm told the Nordic power bourse. The plant gets all its power from the country's national grid so its processing activities are likely to have been affected. Consumption dropped to 20 megawatts from 200 GW during the event, the message said, which started at 0805 GMT and was expected to be resolved by 2000 GMT on Friday, according to the note.

Russia's subsoil agency has asked the government to grant four gas licenses on Yamal peninsula to Novatek, the watchdog's head told Interfax news agency on Thursday.

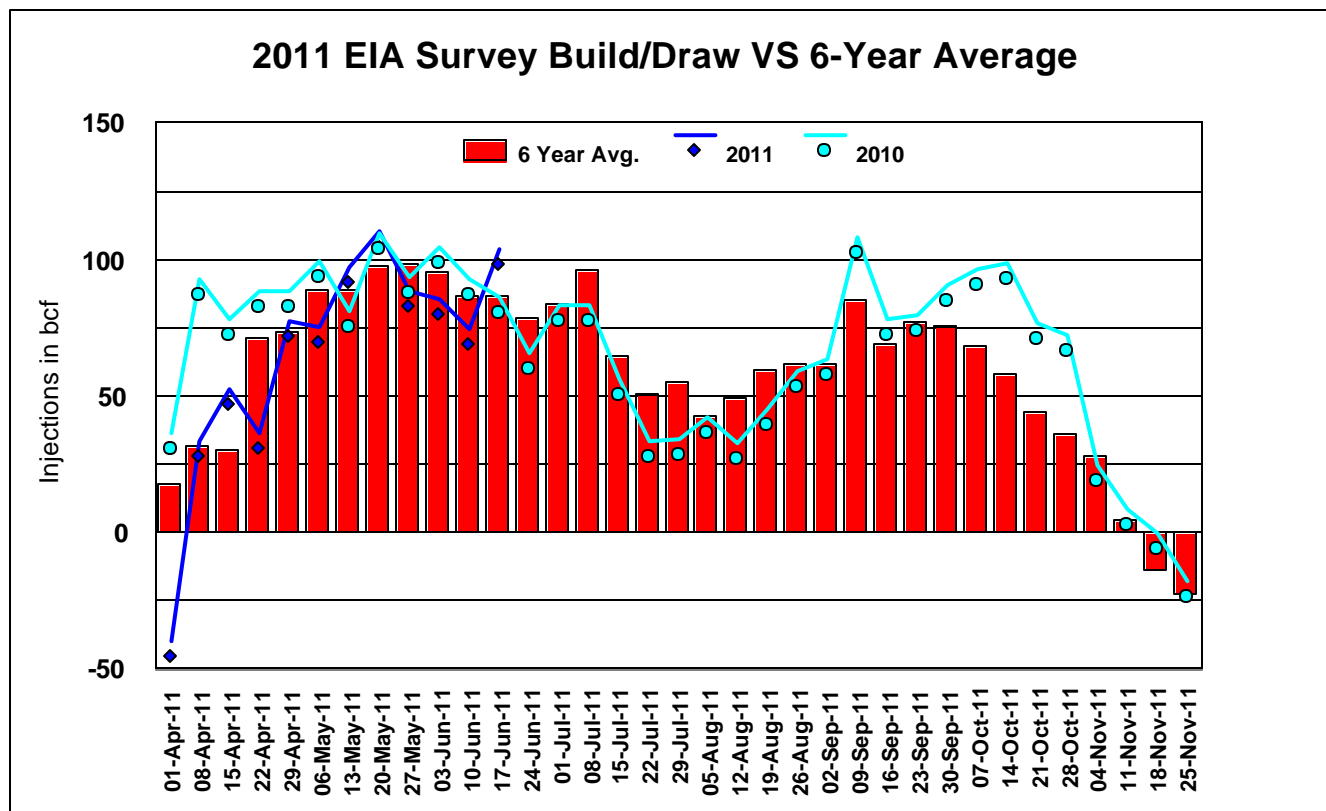
**Canadian Gas Association**

**Weekly Storage Report**

	17-Jun-11	10-Jun-11	18-Jun-10
<b>East</b>	122.1	110.8	139.3
<b>West</b>	243.9	230.1	291.1
<b>Total</b>	366	340.8	430.4

storage figures are in Bcf

Qatargas will send a second cargo of LNG to commission Thailand's first LNG import, the company said on Thursday. Thai terminal operator PTT has already agreed to buy 1 million tons a year of Qatari LNG from late 2011. But the state-run Thai company needs additional super-cooled natural gas to prepare the new Map Ta Phut LNG import facility for the expected start of commercial operations in July. PTT plans to import 500,000 tons of LNG this year to feed Southeast Asia's first LNG terminal. Qatargas, one of two big producers in the world's biggest LNG exporting country, delivered its first commissioning cargo to the terminal in early June. Thailand's top energy firm said on Wednesday it was freezing plans to work with Tokyo Gas Co on LNG supply because Japan's top city gas distributor needed to focus on satisfying its own increased LNG needs after the shutdown of many Japanese nuclear plants following an earthquake in March. Thailand is among a



growing number of new LNG buyers in Asia seeking cleaner-burning fuel to wean themselves off dirtier oil and coal.

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	733,600	\$4.309	(\$0.107)	\$0.126	\$0.026	\$0.100
Chicago City Gate	757,300	\$4.404	(\$0.111)	\$0.221	\$0.051	\$0.141
NGPL- TX/OK	897,600	\$4.255	(\$0.117)	\$0.072	\$0.045	(\$0.005)
SoCal	680,400	\$4.430	(\$0.159)	\$0.247	\$0.003	\$0.172
PG&E Citygate	984,100	\$4.586	(\$0.112)	\$0.403	\$0.050	\$0.338
Dominion-South	708,900	\$4.437	(\$0.101)	\$0.254	\$0.061	\$0.156
USTRade Weighted	19,287,700	\$4.344	(\$0.136)	\$0.161	\$0.03	\$0.100

The Lijmiliya LNG tanker is expected to arrive at the UK's South Hook LNG terminal on June 28 from Qatar, according to local port authority.

The Rasgas Asclepius LNG tanker, which has a 145,000 cubic meter capacity, is expected to arrive at Belgium's Zeebrugge terminal on July 9<sup>th</sup> from Qatar according to AIS Live ship tracking data on Reuters.

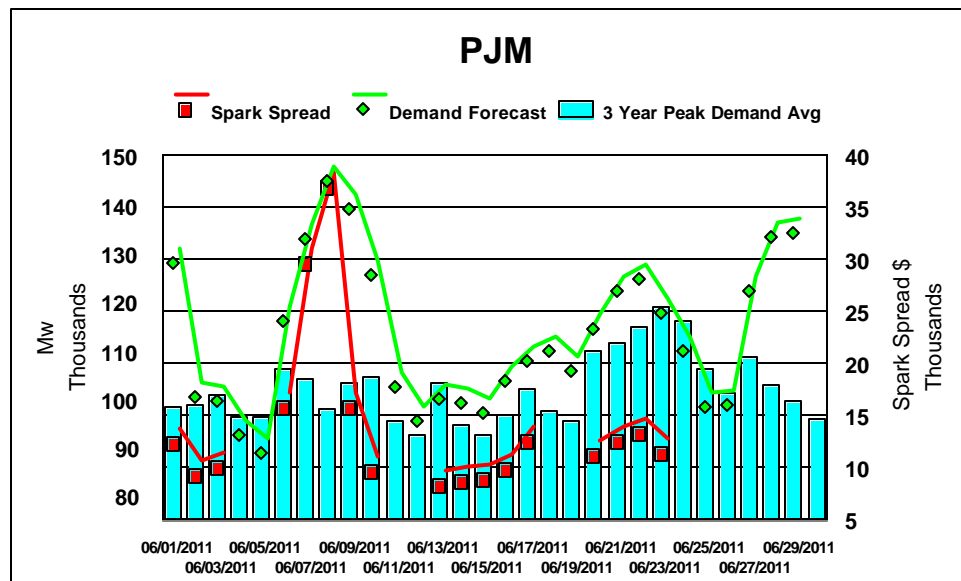
Azerbaijan is prepared to ensure natural gas exports over 1 billion cubic meters a year to Bulgaria as of 2014, the Bulgarian energy ministry said on Thursday. Bulgaria, almost 100 percent dependent on Russian gas supplies from Gazprom, has been trying to diversify both its gas suppliers and routes. Its annual gas needs range between 4-5 bcm. The gas deliveries will be carried out before the start of Azerbaijan's Shah Deniz II natural gas deposit, which is seen as a key source for EU-backed Nabucco pipeline, the ministry said in a statement. The ministry also said, "Azerbaijan is prepared to supply Bulgaria with natural gas as of 2014, immediately after the inter-connector links with Turkey and Greece are built. Shah Deniz is being developed by BP and Statoil as well as Azeri state energy firm SOCAR and some others. It is estimated to contain 1.2 trillion cubic meters of gas. Production began in 2006, and the second phase is expected to begin in 2017. The Balkan country has started to build gas links with neighboring Romania, Greece and Turkey and expects them to become operational in 2014.

**ELECTRIC MARKET NEWS**

Louisiana plans to build state-of-the-art generation unit at Ninemile Point plant. By 2015, the region will have more than 6,000 megawatts of demand. The combined-cycle gas turbine unit will cost approximately \$721 million to construct and if it is approved, construction on Ninemile unit 6 will begin in 2012. The 550-megawatt natural gas unit will replace output of existing Ninemile units 1 and 2.

**ECONOMIC NEWS**

The IEA announced that it would release 60 million barrels of oil from emergency stocks in the next 30 days to alleviate problems caused by the shut in of Libyan crude exports. The first of the 60 million barrels of oil would hit the market early next week. It said its 2 million bpd stock release is intended to



complement expected increases in output by producing countries to help bridge the gap until sufficient additional oil from them reaches global markets.

The US Labor Department said initial unemployment claims increased by 9,000 to a seasonally adjusted 429,000 in the week ending June 18<sup>th</sup>. The prior week's figure was revised higher to 420,000 from an originally reported 414,000. The four week moving average of new claims was unchanged from last week's 426,250. It reported that the number of continuing unemployment benefit claims fell by 1,000 to 3,697,000 in the week ending June 11<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 2.9% in the week ending June 11<sup>th</sup>, unchanged from a week earlier.

The US Commerce Department said new home sales fell in May by 2.1% on a monthly basis to a seasonally adjusted annual rate of 319,000. The decline in home sales followed large increase in March and April. It reported that the median price for an existing home in the US is \$166,500.

The Federal Reserve Bank of Chicago's national activity index remained in negative territory in May at -.37 compared with -.56 in April.

### **MARKET COMMENTARY**

This morning's EIA storage report was the realization of the fears of many traders, a larger than expected build in working gas stocks on the week. The market quickly lost 10 cents in value and remained under pressure for the remainder of the day. The quick sell off also pushed the spot contract to a new five week low and momentarily below the 200 day moving average for the spot continuation chart. In fact this event was reflected in several other markets today, with the S&P 500 spot contract also momentarily trading below its 200-day moving average, while the WTI spot contract traded below this moving average as well and settled below it, as the news of the release of 30 million barrels of crude oil from the SPR weighted heavily on the market. The spot Brent, Euro and Silver contracts all finished down on the day though while closing in on their 200 day moving averages remained above their 200 day moving averages for the moment.

In the background was the negative economic news released today as well as the return of some additional nuclear generation.

While the daily stochastic indicators remained pointing lower today it appears that this condition will not last much longer and could roll back to the upside either Friday or Monday. This indicator has been a particularly accurate technical indicator for trend changes over the past several months and we at this time would not recommend betting against it. With the outlook for the return of higher cooling demand next week and continuing into the following week, it may be enough to provide support to this market especially as nuclear generation levels have not yet returned to seasonal levels. We see support tomorrow at \$4.154-\$4.14, \$4.088 and \$4.00. Resistance we see at \$4.324, \$4.471, \$4.569 and \$4.666.

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