



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 1, 2011

#### NATURAL GAS MARKET NEWS

##### North America

TransCanada's CEO said the company's \$41 billion Alaska pipeline project with ExxonMobil is still focused on the US market despite the state's governor's preference to ship the gas overseas.

El Paso Corp said its subsidiary Tennessee Gas Pipeline Co has started operations of its 300 Line Project. The upgrade provides access to new and existing natural gas supplies and increases capacity on the Tennessee Gas System by 350,000 dekatherms/day or 350 mmcf/d.

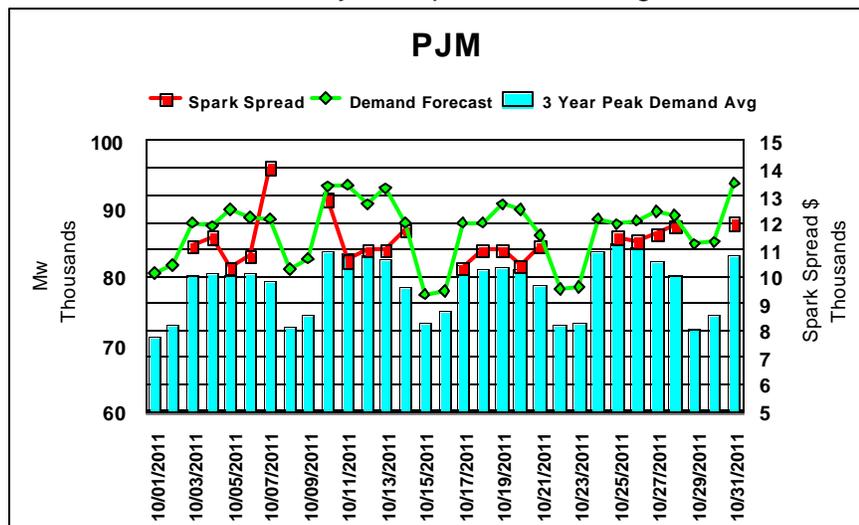
##### Generation Outages

**SERC** - The 883MW Unit 2 at Southern Co's Hatch nuclear power plant increased to 86% power early on Tuesday from 50% power on Monday.

The NRC reported this morning that some 82,715 Mw of nuclear generation was online, up 0.45% from yesterday and up some 4.17% from the same day a year ago.

##### International

Japan's nuclear power plant utilization rate fell to a record low of 18.5% in October from 20.6% in September. The utilization rate was 72.3% in October 2010. Public fear after the crisis at the Fukushima Daiichi facility has prevented the government from reopening reactors that close for planned maintenance.



The PNG LNG Project in New Guinea has started construction with the first lengths of pipe being laid near the LNG plant. The pipeline is expected to be 407km long with a diameter of 36in. Construction on the pipeline is expected to be completed in 2012.

Qatar's Barzan gas project that will supply gas domestically is now expected to cost \$10.3 billion, a \$1.7 billion increase from

January's estimate. The project is expected to produce 1.4 bcm of gas per day from Qatar's North Field to supply the countries domestic market. The first train is expected to come online in 2014 and the second train in 2015.

Statoil has reported that production at its Snoehvit LNG plant at Hammerfest is back to normal after being offline since October 14<sup>th</sup>.

Ukraine has announced that it will pay for Russian natural gas imports in rubles in an attempt to take pressure of the hryvnia.

Britain's Cove Energy has estimated that its offshore Mozambique Rovuma block could have an upside potential of 40 tcf of gas, more than triple it's prove 11 tcf gas. The company believes that the total potential for East Africa could easily exceed 100 tcf. Mozambique is expected to begin gas exportation in 2018 with the majority of the exports going to Asia.

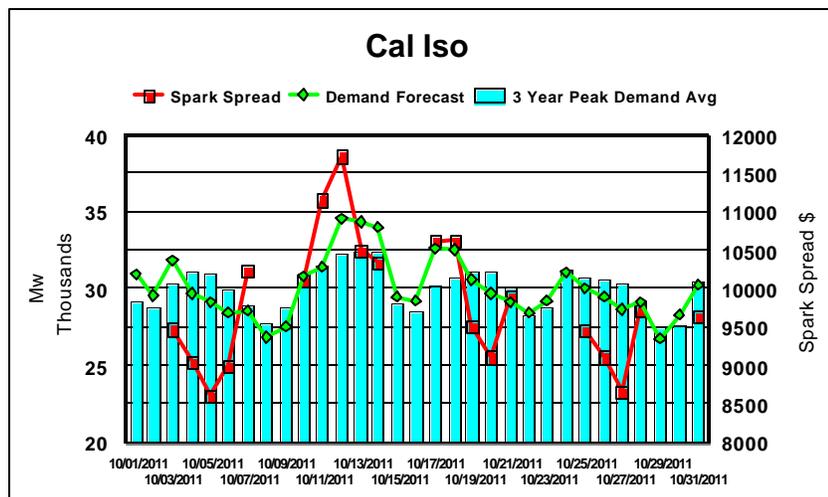
**Electric Market News**

The EPA has ruled that GenOn Energy's Portland Generating Station in Northampton County, PA is worsening air quality in at least three counties in New Jersey. The EPA is now requiring GenOn Energy to significantly reduce sulfur dioxide (SO2) within three years.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,184,400	\$3.493	(\$0.168)	(\$0.319)	(\$0.046)	(\$0.095)
Chicago City Gate	1,208,400	\$3.603	(\$0.189)	(\$0.208)	(\$0.094)	\$0.084
NGPL- TX/OK	953,900	\$3.345	(\$0.195)	(\$0.466)	(\$0.100)	(\$0.242)
SoCal	606,900	\$3.596	(\$0.223)	(\$0.215)	(\$0.128)	(\$0.091)
PG&E Citygate	951,800	\$3.867	(\$0.083)	\$0.056	\$0.012	\$0.138
Dominion-South	588,900	\$3.502	(\$0.185)	(\$0.309)	(\$0.090)	(\$0.015)
USTRade Weighted	25,611,100	\$3.500	(\$0.141)	(\$0.311)	(\$0.05)	(\$0.095)

Entergy Corp utilities, Entergy Louisiana and Entergy Gulf States Louisiana, have told the Louisiana Public Service Commission that they want to join the Midwest Independent Transmission System Operator (MISO) by December 2013. Entergy believes that making a move into MISO will allow the company to make \$1 billion to \$1.4 billion more over the next ten years.

The US NRC has approved the Advanced Boiling Water Reactor design after it received its certification to address the effects of the impact of a large commercial aircraft. US power company NRG Energy submitted the in June 2009.



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A bluff near the Oak Creek coal-fired plant in Wisconsin collapsed sending dirt and possibly coal ash into Lake Michigan on Monday. The plant was in operation when the bluff collapsed and has continued to operate. The company is currently going through its records to determine if coal ash was stored in the area during the 1950's or 60's.

**ECONOMIC NEWS**

The US Commerce Department said spending on construction in the US increased during September. Construction spending increased by 0.2% to a seasonally adjusted annual rate of \$787.21 billion in September after construction spending increased 1.6% in August. Year over year, overall construction spending was 1.3% lower than in September 2010.

The pace of growth in the US manufacturing sector unexpectedly fell in October. The Institute for Supply Management said its index of national factory activity fell to 50.8 from 51.6 in September. New orders increased to 52.4 from 49.6 while the prices paid index fell to its lowest level since April 2009 to 41 from 56. The employment index fell to 53.5 from 53.8.

Britain's economy is on the brink of recession despite solid growth in the third quarter and the pressure on the government to increase growth is rising as new turmoil in the euro zone creates new risks. Britain's Office for National Statistics said GDP grew by 0.5% on the quarter as business services and finance posted the strongest quarterly increase in four years. The ONS said the annual growth rate eased to 0.5% in the three months through September from 0.6% in the second quarter. However the Purchasing Managers' Index survey released earlier showed that manufacturers saw the sharpest monthly rate of decline since June 2009 in October. The Markit/CIPS Manufacturing Purchasing Managers' Index fell to 47.4 in October, its lowest since June 2009 from a downwardly revised 50.8 in September.

Greece announced that it decided to hold a referendum on its euro zone bailout package. Greek Prime Minister George Papandreou's announcement that he would put Greece's bailout to a referendum immediately cast doubt on the euro zone's plan to give Athens 130 billion euros and arrange a 50% write down on its debt. It raised the possibility of a disorderly default on its debt if Greece votes against the plan. It also threw into chaos the euro zone's wider attempts to stop the debt crisis from spreading to more significant economies such as Italy.

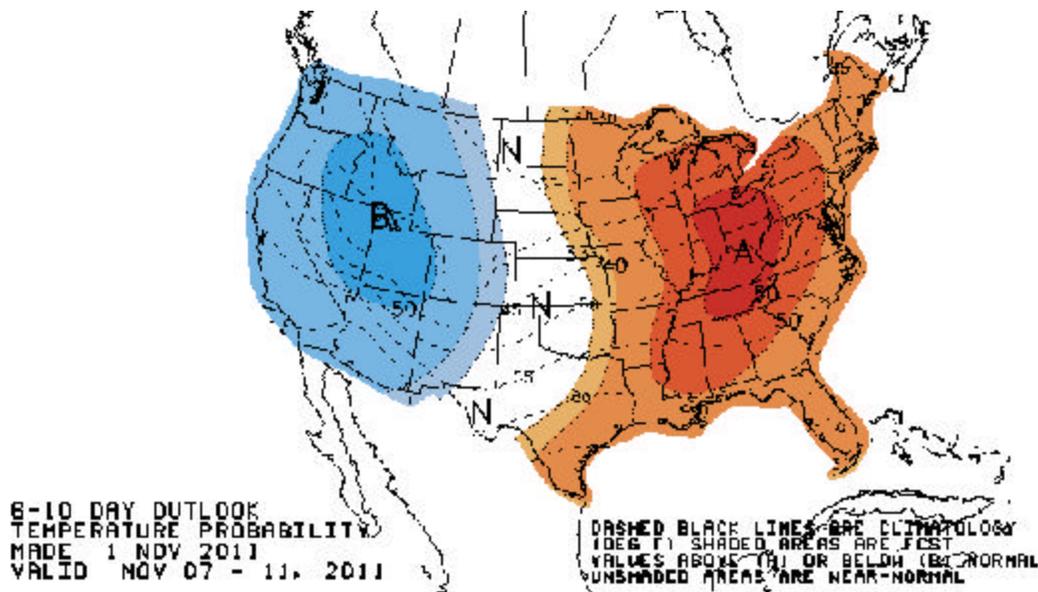
China's manufacturers ran at their slowest pace in October since early 2009, according to the National Bureau of Statistics. China's official Purchasing Managers' Index fell to 50.4 in October from 51.2 in September. The HSBC PMI in October fell to 50.4 in October from 51.2 in September.

**Market Commentary**

The natural gas market erased its recent gains during today's trading session in light of mild weather forecasts. The market opened higher and traded to a high of \$3.955 in overnight trading. It traded mostly sideways before it sold off to a low of \$3.76 as the open outcry session started. In addition to the weather forecasts, the market was also pressured as the rest of the energy complex traded lower amid some bearish economic news. The natural gas market later traded sideways, within a 7 cent trading range from \$3.76 to \$3.827, ahead of the close. It settled down 15.3 cents at \$3.781.

The natural gas market is seen remaining pressured amid the weather forecasts calling for warmer than usual temperatures across the US in the coming weeks. Private weather forecasts for the next six to 10 days and 11 to 15 days are calling for above average temperatures on the East Coast.

The market is seen finding resistance at \$3.83, \$3.85, \$3.904 and its highs of \$3.955 and \$3.978. More distant resistance is seen at \$4.027 and \$4.099. Support is seen at its low of \$3.76, \$3.709, \$3.637, \$3.514 and \$3.50.



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