



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 7, 2011

#### NATURAL GAS MARKET NEWS

##### North America

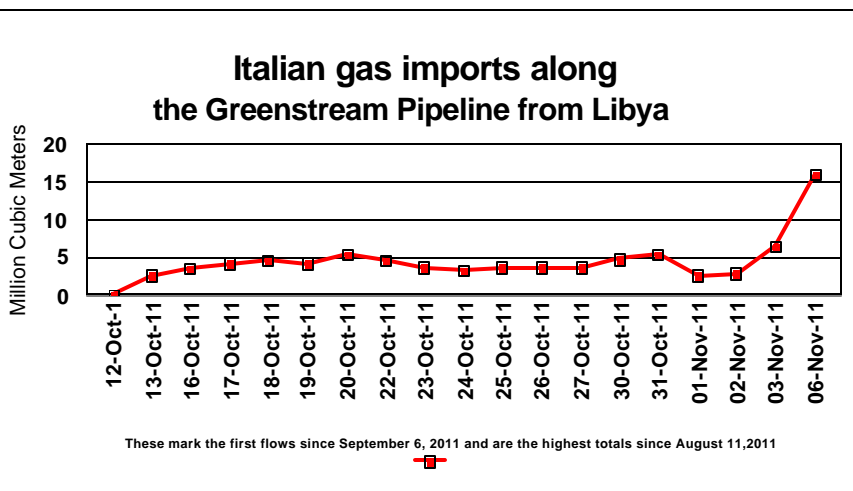
Total is close to signing a long term sales agreement with Cheniere Energy for 3.5 mpta of LNG from the Sabine pass liquefaction project. The terms of the deal are similar to the deal Cheniere signed with BG Group last week for a 20 year take-or-pay fee of \$2.25MMBtu to cover the liquefaction, procurement and loading costs plus an interruptible 115% of US Henry Hub natural gas futures fee. The Total deal is expected to go beyond the BG Group deal because Total is expected to assume an ownership stake in Cheniere's Sabine Pass Liquefaction company.

##### Generation Outages

**NPCC**- The 620MW Vermont Yankee nuclear power plant in Vermont finished exiting an outage and increased to full power on Sunday from 61% early on Friday.

**SERC**- The 920MW Progress Energy Inc's Unit 2 at the Brunswick nuclear power plant shut on Saturday from full power on Friday. Dominion's Surry 2 nuclear power station increased power to full capacity early on Monday from 75% power early Friday.

**The NRC reported this morning that some 82,619 Mw of nuclear generation was online, down 0.37% from Friday and up some 6.3% from the same day a year ago.**



##### International

Poland's PGNiG filed for arbitration on Monday against Gazprom demanding lower natural gas prices. The Polish company has previously said that if it could not come to a new agreement with Russia by the end of October it would file for arbitration. The current long-term deal that was signed in 1996 charges Poland prices well above the spot price for gas. Poland currently imports about two-thirds of the gas it consumes from Russia.

Gazprom's daughter company Gazprom Dobycha Shelf plans to start construction of the onshore infrastructure for the Shtokman gas field will start in Teriberka in 2012. Statoil is currently waiting for guarantees of tax breaks from the Russian government before making a final investment decision but Russian partners believe it will be granted and are expecting the first gas to come in 2016.

Iran's oil ministry announced that they believe the country's natural gas reserves will be able to supply gas for up to 100 years.

LNG Tanker	Capacity (CUBIC METERS)	Expected Arrival	LNG From	Destination
Al Samriya	263,000	11/07/2011	Qatar	South Hook
Al Thumama	217,000	11/08/2011	Qatar	Isle of Grain
Al Kharsaah	214,000	11/10/2011	Qatar	Isle of Grain
Lijmiliya	263,000	11/14/2011	Qatar	South Hook

The prompt gas price in Britain rose by over 7% to 60.85 pence-per-therm on Monday as temperatures were expected to fall. Gas delivery for the next working week rose to a 13 day high 61.9 pence-per-therm.

### **Electric Market News**

US Power Generating's Astoria Generating unit and Canadian energy company TransCanada Tavenswood filed a complaint with the FERC asking them to review the decision by New York's grid operator to allow a new plant into the capacity market. The companies believe that Astoria Energy II's unmitigated entry into the market caused the \$0.50 per kilowatt-month decrease from \$4.29 price last November. Generating and TransCanada fear that Astoria Energy II's entry into the market will cause there plants to no longer be profitable.

The NRC is expected to rule this week whether to allow Dominion's North Anna nuclear to restart following the August 23<sup>rd</sup> earthquake that occurred about 10 miles away from the plant. Dominion had previously announced that the North Anna reactors were ready to be restarted.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,057,900	\$3.353	(\$0.089)	(\$0.376)	(\$0.003)	(\$0.284)
Chicago City Gate	672,500	\$3.544	(\$0.110)	(\$0.185)	(\$0.042)	(\$0.171)
NGPL- TX/OK	693,600	\$3.299	(\$0.072)	(\$0.430)	(\$0.004)	(\$0.462)
SoCal	569,700	\$3.706	\$0.016	(\$0.023)	\$0.084	(\$0.139)
PG&E Citygate	692,200	\$4.005	(\$0.013)	\$0.276	\$0.055	\$0.182
Dominion-South	674,200	\$3.457	(\$0.069)	(\$0.272)	(\$0.001)	(\$0.306)
USTRade Weighted	22,712,800	\$3.468	(\$0.071)	(\$0.261)	(\$0.00)	(\$0.284)

Fortis Inc., a Canadian power utility is trying to expand in the United States over the next ten years. The company is looking to purchase regulated transmission and distribution facilities. Fortis Inc has already considered transactions as large as \$5 to \$6 billion in the United States.

US power for the week ending on November 3<sup>rd</sup> fell by 0.13% when compared to the previous week. Power output however was up 0.86% when compared to the same week last year.

### **Market Commentary**

The natural gas market continued to trade lower following Friday's inside trading day amid the mild weather forecasts. It posted its high of \$3.765 on the opening overnight and traded mostly sideways before it sold off sharply to a low of \$3.652 on the opening of the open outcry session. The market remained pressured as mild weather is expected to continue for the next few weeks. A private weather forecaster said a cold air mass in Canada has managed to stay north of the US and will likely hold off for the next two weeks. The natural gas market bounced off its low and settled in a sideways pattern ahead of the close. It settled down 8.7 cents at \$3.696.

While the natural gas market is likely to retrace some of its sharp losses, its gains are will remain limited by the weather forecasts. Technically, the market is seen finding \$3.74, \$3.757, its high of \$3.765 followed by \$3.847, \$3.863 and \$3.87. Support is seen at \$3.686, its low of \$3.652 followed by \$3.644, \$3.591 and \$3.531.