



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 10, 2011

#### NATURAL GAS MARKET NEWS

##### North America

Cheniere Energy plans to export 9 mpta from its Sabine Pass terminal in Louisiana by 2016. The company plans to sell the gas for 115% of the Henry Hub price plus a premium. In addition, the company is trying to acquire a stake in a floating terminal in Lithuania owned by Klaipedos Nafta. Lithuania is currently trying to reduce dependence on Russia and plans to expand LNG capacity to 1.5-2 bcm per year.

##### Generation Outages

The NRC reported this morning that some 82,647 Mw of nuclear generation was online, up 4.79% from yesterday and up some 0.02% from the same day a year ago.

##### EIA Weekly Report

	11/04/2011	10/28/2011	Change	11/05/2010
Producing Region	1235	1220	15	1231
Consuming East	2085	2069	16	2087
Consuming West	511	505	6	519
Total US	3831	3794	37	3837

\*storage figures in Bcf

A federal energy panel met on Thursday to discuss their displeasure that more has not been done on their 20 recommendations that were laid out in August to help guide the future of US shale gas development. The recommendations called for stricter oversight by creating a national database to

collect information on wells and the management of water used in the natural gas drilling process. The panel warned that more action needs to be taken if the industry and government want to prevent public backlash from environmental groups.

##### International

Spain's gas grid operator Enagas said demand for gas in October dropped 10.1% from the same month last year due to power utilities switching to coal and warmer weather. Year-on-year natural gas imports increased by 44% because the 8 bcm/y Megaz pipeline from Algeria entered service in March causing LNG imports to decrease by 22% over the same period.

##### Canadian Gas Association

##### Weekly Storage Report

	04-Nov-11	28-Oct-11	05-Nov-10
East	234.7	236.7	235
West	441.3	437.1	403.3
Total	676	673.7	638.3

storage figures are in Bcf

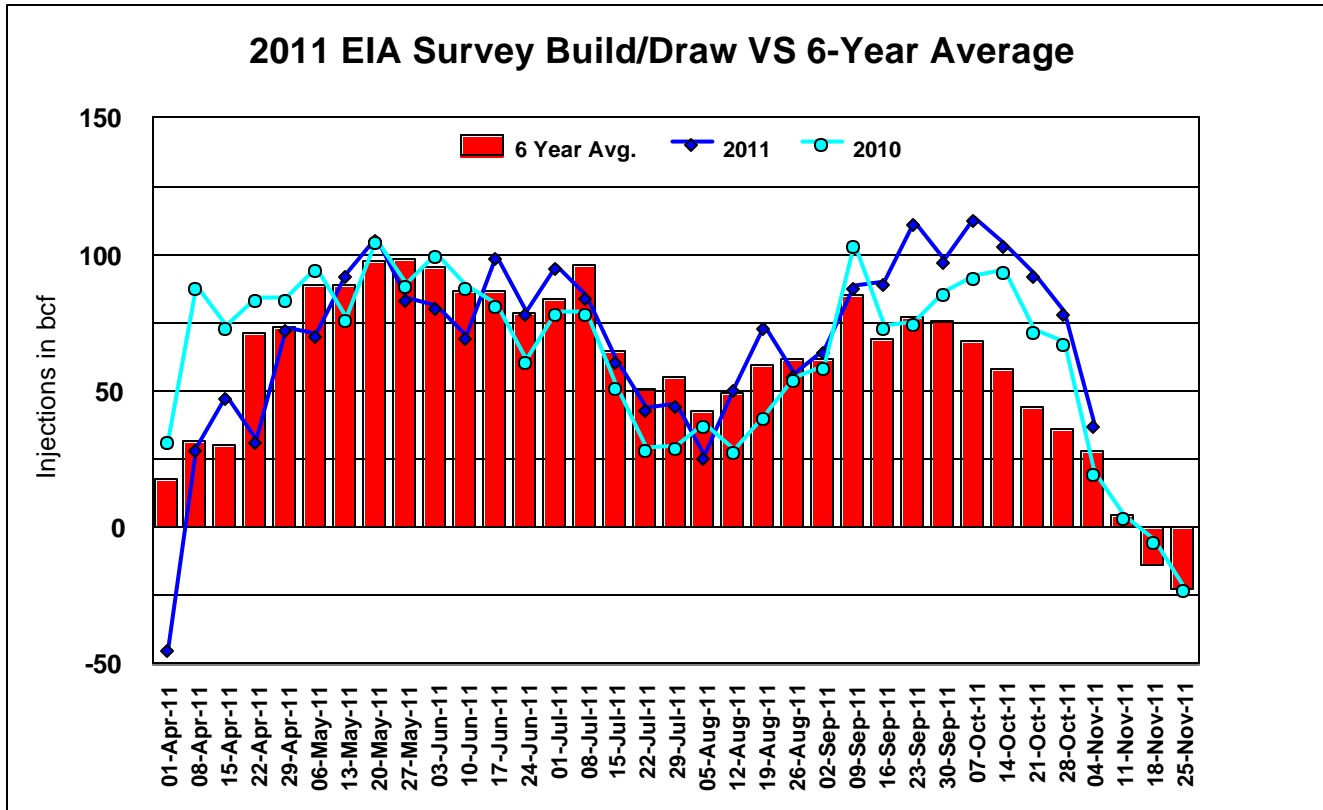
#### Natural Gas Cash Market

Location	ICE Next Day Cash Market					
	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	870,500	\$3.482	(\$0.070)	(\$0.196)	(\$0.072)	(\$0.153)
Chicago City Gate	854,700	\$3.697	(\$0.118)	\$0.019	(\$0.128)	(\$0.027)
NGPL- TX/OK	1,012,800	\$3.411	(\$0.073)	(\$0.267)	(\$0.083)	(\$0.320)
SoCal	443,000	\$3.728	(\$0.065)	\$0.050	(\$0.075)	\$0.023
PG&E Citygate	886,300	\$4.012	(\$0.013)	\$0.334	(\$0.022)	\$0.301
Dominion-South	636,400	\$3.640	(\$0.051)	(\$0.038)	(\$0.061)	(\$0.137)
US Trade Weighted	22,476,800	\$3.577	(\$0.062)	(\$0.101)	(\$0.07)	(\$0.153)

Ukraine and Russia announced that they have been in the technical stage of negotiations after reaching key agreements in September of reworking their current gas deal. Ukraine wants a new pricing formula and the right to import less gas from Russia. Although both sides have expressed satisfaction with the

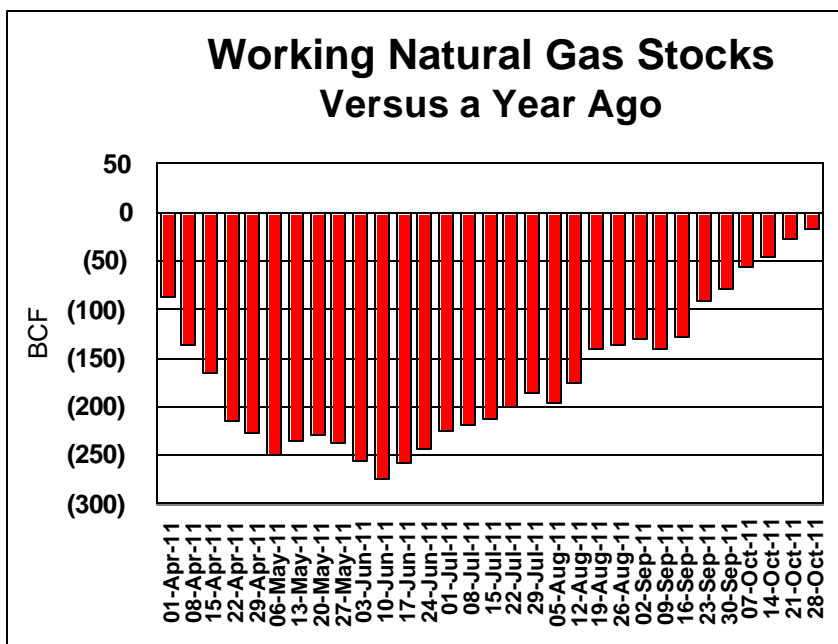
progress of the new deal no details have been released regarding the possible new agreement.

The first summit of the Gas Exporting Countries Forum (GECF) is scheduled to be held in Qatar's capital next week with its main focus expected to be on protecting itself from a decrease in euro zone



demand. Some countries of the GECF believe that the euro zone crisis will shrink industrial demand in one of the world's largest gas consuming markets.

Indonesian LNG exports decreased by 4.1% in September to 99.2 mmbtu from 103.4 mmbtu a year earlier. However, the value of the shipments increased by 62% from \$758 million to \$1,230 billion.



#### Electric Market News

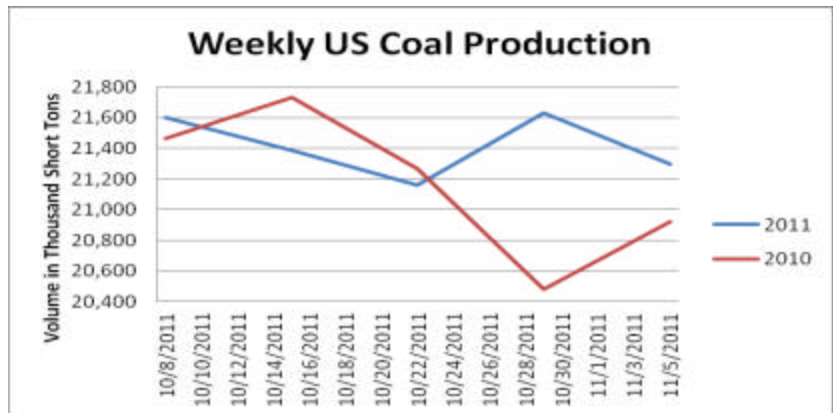
The EIA reported that coal production in the week ending November 5<sup>th</sup> fell to 21.3 million tons from 21.624 million tons in the previous week.

#### Economic News

The US Labor Department stated that initial claims for unemployment benefits fell by 10,000 to a seasonally adjusted 390,000 in the week ending November 5<sup>th</sup>. In the prior week, jobless claims were revised up to 400,000 from an originally reported 397,000. The

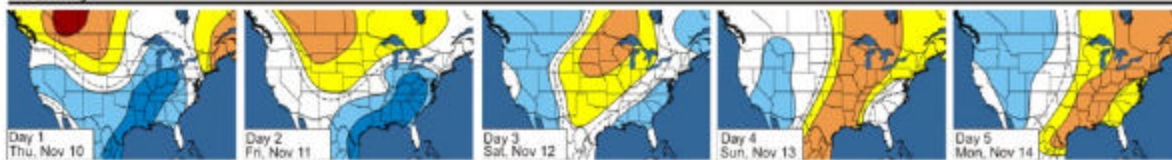
four week moving average of initial unemployment claims fell by 5,250 to 400,000. The Labor Department reported that the number of continuing unemployment benefit claims fell by 92,000 to 3,615,000 in the week ending October 29<sup>th</sup>.

The US Commerce Department said the US trade deficit unexpectedly fell in September due to record level exports and a fall in trade from the euro area. The overall US deficit in international trade of goods and services fell 4% to \$43.11 billion from \$44.92 billion the month before. The August trade gap was originally reported as \$45.61 billion. The trade gap with the euro was narrowed in September by 17.3% to \$6.46 billion as the region's sovereign debt crisis accelerated, largely due to a fall in imports to the US. The trade gap with China fell marginally to \$28.06 billion. It reported that the average price of imported crude oil fell for the fourth consecutive month by \$1.60 to \$101.02/barrel in September. The overall tab for crude imports was \$28.3 billion, down from \$31.04 billion in August.



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**1-5 Day**



**6-10 Day**



**11-15 Day**



US import prices fell in October as fuel and food prices fell, suggesting inflation is being held in check. The Labor Department said the price of goods imported to the US in October declined by 0.6% on the month. On an annual basis, however import prices last month were 11% higher than in October 2010. Petroleum import prices fell by 1% in October compared to the prior month. Excluding petroleum, import prices fell by 0.4% on a monthly basis.

**Market Commentary**

The natural gas market traded sideways in overnight trading before retracing some of Wednesday's losses and posting its intraday high of \$3.708 ahead of the release of the EIA natural gas storage report. The market however sold off sharply following the release of the natural gas report, which showed a slightly larger than expected build in inventories of 37 bcf on the week. The natural gas market breached its previous lows and sold off to a low of \$3.612 early in the session. It later see-sawed into positive territory as it traded back towards its high on bargain hunting and settled in a sideways pattern during the remainder of the session. The natural gas market settled down just 3 ticks at \$3.649.

The natural gas market will likely retrace some of today's losses on Friday. However the market's gains will remain limited given limited forecasted heating demand with resistance at its high of \$3.708, \$3.752, \$3.769 and \$3.797. More distant resistance is seen at \$3.847 and \$3.863. Support is seen at its low of \$3.612, \$3.605, \$3.56 and \$3.509.

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