



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 14, 2011

#### NATURAL GAS MARKET NEWS

##### North America

BHP Billiton is planning to increase US shale production to 545 bcf in the 2012 financial year. BHP Billiton has spent \$17 billion to buy shale gas assets from Petrohawk Energy and Chesapeake Energy this year to try and increase shale gas production.

A subsidiary of Cheniere Energy Partners signed a contract with engineering company Bechtel Oil, Gas, and Chemicals Inc to construct two liquefaction trains at the Sabine Pass LNG terminal. Cheniere is planning to produce 9 mpta of LNG in the first phase, selling 7 mpta under long term contracts and purchase agreements. Construction is expected to begin in 2012 with the first LNG exports in 2015.

US COAL CONSUMPTION				
		National	East	West
This week	11/10/2011	16.4	13.91	2.4
Last Week	11/4/2011	16.58	14.23	2.28
Last Year	11/11/2010	17.36	14.84	2.44

Sempra Energy has become the fourth US company in the Gulf of Mexico to apply for the right to export domestic natural gas. The company has submitted an application to export 12 mpta from its Cameron LNG site to free-trade-friendly countries for twenty years. The company also announced that it plans to file a second application for the right to export to non-free-trade nations as well.

Mexican state oil company Pemex said a natural gas pipeline in northern Mexico exploded on Monday. Experts were still trying to determine the cause of the blast but there is speculation that the explosion may have occurred due to an attempt to tap the pipeline illegally.

The National Weather Service said US heating demand this week is expected to be 22.8% below normal. Demand for heating oil this week is expected to average 24.7% below normal while heating demand for natural gas is expected to average 21.6% below normal.

##### International

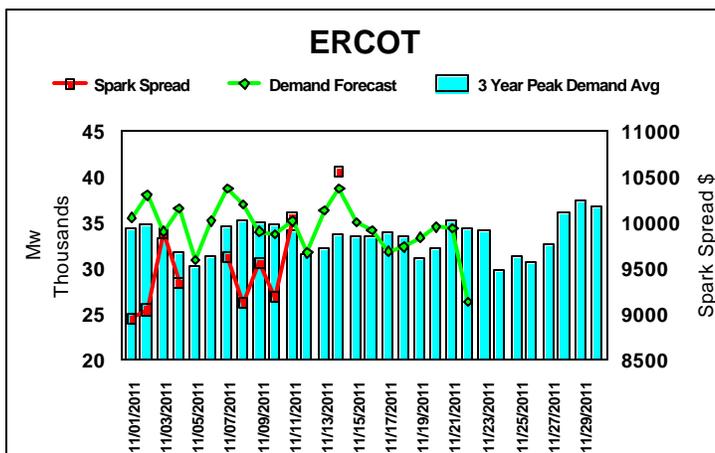
The Energy ministers of the Gas Exporting Countries Forum (GECF) met on Sunday to

#### Generation Outages

**SERC** - Dominion Resources Inc's Unit 1 at the North Anna nuclear power plant has started to exit an outage and increased to 3% power early on Monday. The plants restart was approved on Friday by the NRC after being kept offline since an earthquake struck 11 miles from the plant in August. Unit 2 has not started to exit the outage. Southern Co's Unit 2 at the Farley nuclear power plant increased to 79% power on Monday from 30% power on Friday as the plant continues to exit a refueling outage.

**MRO** - The 770MW Nebraska Public Power District's Cooper nuclear power plant increased to full power on Monday after being reduced to 70% power on Friday.

The NRC reported this morning that some 83,309 Mw of nuclear generation was online, up 1.5% from Friday and up from 2.53% from the same day a year ago.



prepare for the groups first ever summit to discuss fair prices and stronger coordination. GECF member countries hold approximately 70% of the world's gas reserves. According to the GECF the summit will have the priority of discussion long-term contracts as the basis of security for consumers and exports of natural gas.

LNG TANKERS HEADING TO ZEEBRUGGE			
LNG Tanker	Capacity (CUBIC METERS)	Expected Arrival	LNG From
Al Shamal	217000	11/16/2011	Qatar
Ejnan	145000	11/19/2011	Qatar
Al Khuwair	210000	11/21/2011	Qatar
Seri Balqis	154000	11/25/2011	Yemen

Eni plans to invest \$50 billion to developing recently discovered natural gas reserves off the coast of Mozambique with the goal of exporting the gas to the Asian market. The company plans on building two or three LNG units in the country with the first gas processing expected to occur in 2016.

Belarus pipeline operator Beltransgaz has asked Gazprom for an extension in its third quarter gas payment and a price reduction from \$279.16 per thousand cubic meters to \$245. Gazprom owns a 50% stake in Beltransgaz and hopes to gain an increased share as the two sides work to sign a new gas deal.

Israel gas driller Isramco, has signed a preliminary deal with Daewoo Shipbuilding & Marine Engineering to build and operate a floating LNG facility for exports to South Korea.

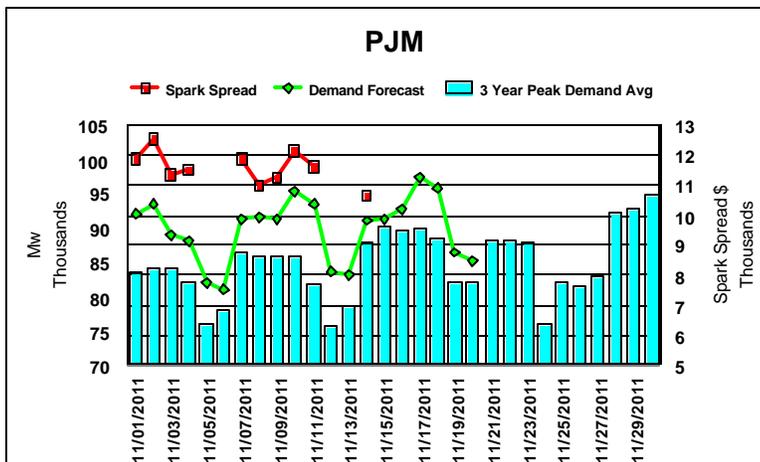
Egas, Egypt's state-owned gas company plans to hold a bidding round for natural gas exploration early next year.

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	879,700	\$3.166	(\$0.112)	(\$0.319)	(\$0.003)	(\$0.136)
Chicago City Gate	812,800	\$3.326	(\$0.087)	(\$0.159)	\$0.015	(\$0.028)
NGPL- TXOK	714,500	\$3.119	(\$0.121)	(\$0.366)	(\$0.019)	(\$0.292)
SoCal	496,300	\$3.507	(\$0.065)	\$0.022	\$0.037	\$0.050
PG&E Citygate	615,700	\$3.912	\$0.004	\$0.427	\$0.106	\$0.351
Dominion-South	655,600	\$3.242	(\$0.124)	(\$0.243)	(\$0.022)	(\$0.121)
UTrade Weighted	22,050,600	\$3.266	(\$0.105)	(\$0.219)	(\$0.00)	(\$0.136)

Cairn India has discovered natural gas reserves in a second exploration well in Sri Lanka's offshore Mannar basin. The discovery comes after the company found natural gas in its first exploratory well in October. More drilling will however be required to determine if the deposit is commercially recoverable.

Marubeni Corp, a Japanese trading house bought a small stake in the Exxon Mobil led LNG project in Papua New Guinea for \$298 million. Marubeni bought a 21% stake in Merlin Petroleum, which owns 4.7% of the \$15 billion Papua New Guinea LNG project.

Woodside Petroleum Ltd. Plans to make a final investment decision on the multibillion dollar Browse project in 2012. It is estimated that construction will take five years before phase one of the project will be able to come online. Phase one includes an onshore LNG plant at James Price Point. If the plant is built it is expected to run for at least 50 years.



### Electric Market News

The US Northwest River Forecast Center said on Monday that projected water runoff at the Dalles Dam in Oregon stayed at 97 percent of normal for January-July, unchanged from its prior forecast.

## **Economic News**

According to research from the San Francisco Federal Reserve Bank, the European debt crisis is increasing the odds of a US recession, with economic contraction more likely than not by early 2012. An analysis of leading US economic indicators suggests a rising chance of a recession through the end of the year and into early next year. The risk of a recession recedes after the second half of 2012.

European Union statistics agency Eurostat said Euro zone industrial production fell by 2% in September, pointing to a sharp contraction towards the end of the year and a growing threat of a fall into recession. The fall in output was the largest since February 2009.

The Organization for Economic Cooperation and Development said none of the world's major economies will escape a slowdown. Its composite leading indicator for its members fell for the seventh consecutive month to 100.4 in September, down from 100.9 in August. The Group of Seven's composite leading indicator fell to 100.6 in September from 101.1 in August while the index for the euro area fell to 99.1 from 99.9. China's economy showed a marginally weaker activity with a reading of 99.8, down from 99.9.

Japan's industrial output fell 3.3% in September, down from an initial reading of 4% and a 0.6% increase in August. The capacity utilization index fell 3.6% in September from a month earlier to 85.8.

## **Market Commentary**

The natural gas market continued its downward trend on Monday as the market remained pressured by the mild temperatures across the country. The market immediately posted its high of \$3.553 and breached its downward support line at \$3.537 before it settled in a sideways trading pattern in overnight trading. It however continued to trend lower and traded to lows not seen since mid-October as it posted a low of \$3.447. The natural gas market settled down 12.6 cents at \$3.458, a level not seen since October 27, 2010, when the market settled at \$3.292. The market was pressured amid private weather forecasts calling for temperatures as much as 15 degrees above normal in some US regions over the next 10 days, with the East Coast and South expected to see temperatures much above normal.

The market is seen remaining pressured amid the lack of any supportive fundamentals. Technically, the market is seen finding resistance at \$3.514, \$3.523, its high of \$3.553, \$3.589 and \$3.624. More distant resistance is seen at \$3.659, \$3.708 and \$3.769. Support is seen at \$3.447, \$3.442, \$3.387 and \$3.321.

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