



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 18, 2011

#### NATURAL GAS MARKET NEWS

##### North America

A vote scheduled for Monday to determine whether to lift a gas drilling ban in the Delaware River Basin has been postponed. The Delaware River Basin Commission (DRBC) regulates the drilling of 14,000 square miles in parts of Pennsylvania, New York, New Jersey, and Delaware. There has been speculation that the commission does not have the three votes required to open up drilling in the area.

Baker Hughes reported this afternoon that the number of drilling rigs search for natural gas in the United States slid by 6 rigs to a five month low of 871 rigs. The number of horizontal rigs search for either oil or natural gas lost ground for the

##### Generation Outages

**NPCC**- Entergy Corp's Pilgrim nuclear plant closed on Friday from full power on Friday after discovering a leak in a main feedwater check valve. The company said that preparations are being made to repair the check valve. Entergy said that the event had no impact on the health and safety of the public.

**SERC**- The 846MW Unit 2 at Duke Energy Corp's Oconee nuclear power plant began to exit an outage and increased power to 20% early on Friday. The plant was shut on October 24<sup>th</sup> for planned refueling.

**WECC**- Energy Northwest's Columbia nuclear power plant in Washington reduced power to 55% early on Friday from full power on Thursday.

The NRC reported this morning that some 83,214 Mw of nuclear generation was online, down 1% from yesterday and 1.4% from the same day a year ago.

second week in a row dropping by 5 rigs to 1147 rigs.

#### Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)		
Henry Hub	658,300	\$3.014	(\$0.099)	(\$0.306)	(\$0.074)	(\$0.126)
Chicago City Gate	901,200	\$3.296	(\$0.093)	(\$0.024)	(\$0.037)	(\$0.038)
NGPL- TX/OK	818,900	\$3.015	(\$0.084)	(\$0.305)	(\$0.028)	(\$0.315)
SoCal	701,500	\$3.370	(\$0.169)	\$0.050	(\$0.113)	\$0.100
PG&E Citygate	851,000	\$3.785	(\$0.090)	\$0.465	(\$0.034)	\$0.475
Dominion-South	682,500	\$3.152	(\$0.167)	(\$0.168)	(\$0.111)	(\$0.154)
UTrade Weighted	22,881,600	\$3.192	(\$0.130)	(\$0.128)	(\$0.07)	(\$0.126)

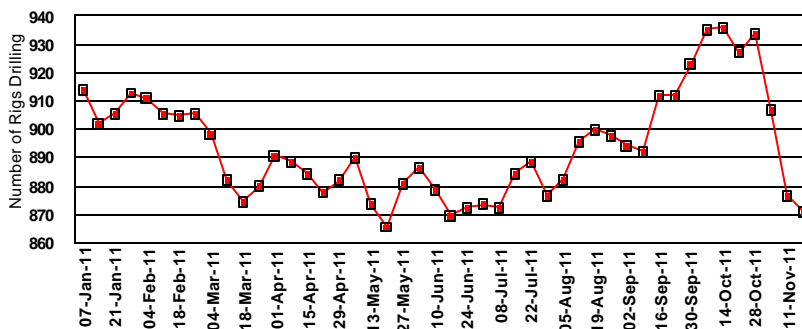
##### International

Gazprom Deputy Chief Executive Alexander Medvedev said that Europe faces no risk of Russia cutting off gas supplies through Ukraine in 2011-2012

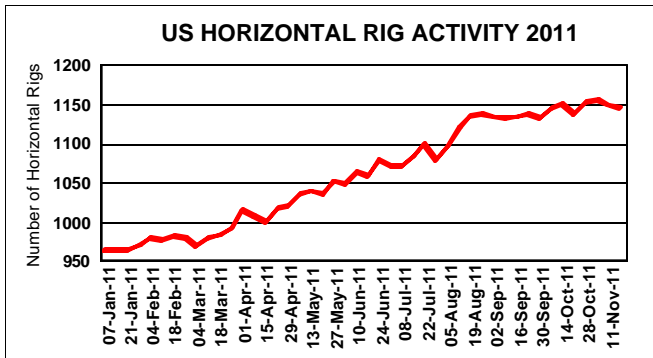
like they did in 2006 and 2009. Medvedev also said that Gazprom could reroute 30 bcm of natural gas that typically passes through Ukraine to Europe when the Nord Stream pipeline is fully launched.

Russian and French prime ministers have given political backing to an investment proposal that would create one of the world's largest gas projects, the Shtokman field in the Barents Sea. The project is led by Gazprom with participation from Total and Statoil. A final investment decision on the 3.9 tcm offshore gas field will be made by the end of the year.

Number of Gas Rigs Drilling 2011



Azerbaijan's energy minister said that the European backed Nabucco gas pipeline will carry gas from the Caspian Sea region when local production rises to appropriate levels. The Nabucco project has been plagued by concerns over rising costs and construction delays as it tries to win a contract to transport gas from the Shah Deniz field to Europe.



Turkey's energy minister said that Azerbaijan's state oil company SOCAR needs to complete the 16 bcm Trans Anadolu pipeline project by 2017-2018. He also said that it is too early to reveal the cost of the new pipeline.

BP and Reliance Industries of India announced that they formed an equal joint venture to source, market, and transport natural gas in India. The joint venture, India Gas Solutions, also plans to develop infrastructure for transporting, importing, and marketing LNG in the country.

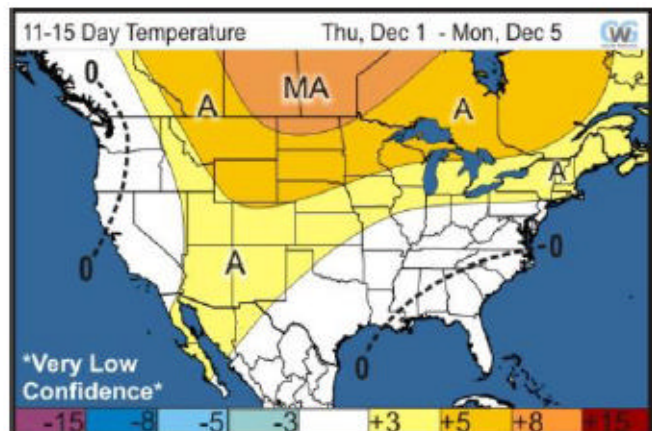
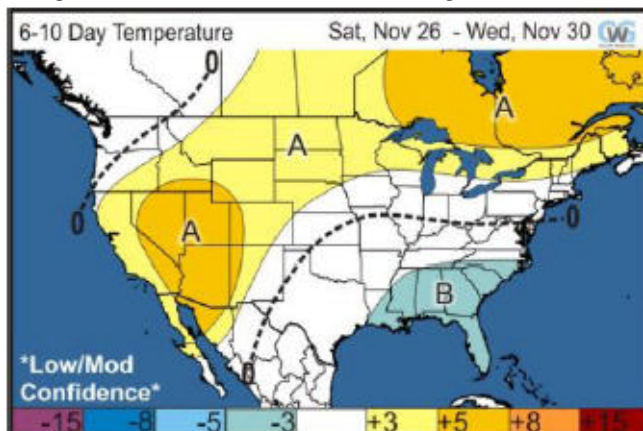
Japanese LNG industry experts said that it is important for the country to develop infrastructure within the country to increase the reach of LNG by laying more pipeline. The country currently only has three operational terminals and they are all located on the west coast.

		National	East	West
This week	11/17/2011	16.25	13.81	2.38
Last Week	11/10/2011	16.4	13.91	2.4
Last Year	11/18/2010	17.6	15.07	2.47

Snohvit sent its first cargo to Latin America in two years and its first ever to the Dominican Republic's Boca Chica from Norway's liquefaction train at the Hammerfest terminal. The Arctic Discoverer is set to arrive with its 140,000 cubic meter cargo on December 4<sup>th</sup>.

**Electric Market News**

New EPA regulations may require 13,000MW of coal fired generation to be shut in the Midwest which could cause power prices to increase by 7% and threaten electric reliability. The grid operator MISO operates in 12 Midwestern states and generates over half of its energy capacity from coal-fired units. In order to abide by EPA rules MISO may be forced to invest \$33 billion to replace about 62,000MW of the grid's 70,000MW of coal-fired generation.

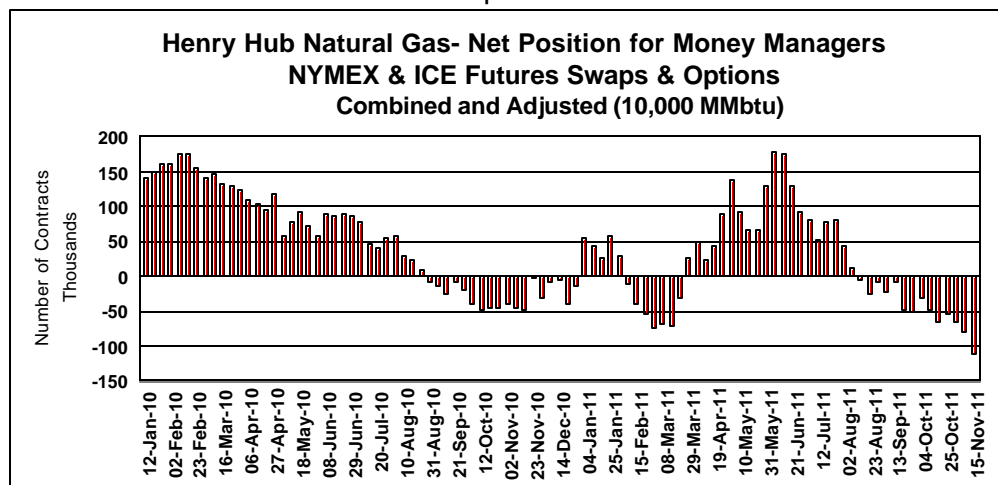


**Economic News**

The Conference Board said a gauge of future US economic activity increased more than expected in October due to a sharp increase in new permits to build homes. Its Leading Economic Index increased 0.9% in October to 117.4, following a revised 0.1% increase in September. It was the sixth consecutive monthly gain in the index.

## Market Commentary

The natural gas market basically remained on the defensive today with most of the selling pressure coming in the morning as not only cash market trading points slipped on the poor prospects for short term heating demand, but futures as well since there appears to be little or no true heating demand in the cards for the next two weeks. It appears that with no change in the forecast coming by Monday morning then the spot low of \$3.212 from October 2010 could be the downside target for next week. If by chance the warmer than normal temperatures continue into the first half of December then market technicians will begin to talk about the lows of September 2009 of \$2.409 may become the next big downside target. But that may be quite a stretch given that the December contract expires a week from Monday and the January contract which would then become the spot contract is tonight at \$3.795, some 42.5 cents above the current spot contract.



Tonight's Commitment of Traders Report for the week ending November 15, 2011, showed that hedge funds increased their net short position on the NYMEX and ICE via futures, swaps and options on the Henry Hub contract by over 30,664 lots on a combined and adjusted basis a new recent

record. This large short position could result a buying frenzy if and when the weather outlook flips to a prolonged period of below normal temperatures.

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