



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 22, 2010

#### NATURAL GAS MARKET NEWS

Private weather forecaster, WSI Corp said late yesterday that it is looking for the North Central part of the U.S. to see the coldest weather this winter, while the South Central states should experience a very warm winter with the most of the southern half of the nation seeing warmer than normal temperatures. Florida and southern California though should see near normal temperatures. The forecasting group is basing their outlook on a strong La Nina event. Overall the forecasting group is looking for U.S. heating demand in December-February will be 2-10% less than last year and within 1% of the 30 year average.

#### Generation Update

**SPP** – Entergy’s 978 Mw River bend nuclear unit saw operations ramped up to 87% on Tuesday, up 34% from Monday.

**MRO** – Xcel Energy’s 572 Mw Monticello nuclear plant was being restarted this morning. The unit was shut back on November 14<sup>th</sup> for maintenance on a feed water heater.

**ERCOT** - NRG Energy’s 572 Mw WA Parish #7 coal fired unit was expected to return to service between November 23-25<sup>th</sup>.

The NRC reported today that some 87,792 Mw of generating capacity was online today, up 3.2% from yesterday and 5.7% higher than the same day a year ago.

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	767,000	\$3.925	(\$0.093)	(\$0.310)	(\$0.080)	(\$0.096)
Chicago City Gate	847,800	\$4.227	(\$0.039)	(\$0.008)	(\$0.073)	\$0.022
NGPL- TX/OK	808,500	\$3.842	(\$0.094)	(\$0.393)	(\$0.128)	(\$0.277)
SoCal	260,500	\$4.137	(\$0.036)	(\$0.098)	(\$0.070)	(\$0.123)
PG&E Citygate	1,100,700	\$4.563	(\$0.023)	\$0.328	(\$0.057)	\$0.326
Dominion-South	339,900	\$4.134	(\$0.029)	(\$0.101)	(\$0.063)	(\$0.006)
USTRade Weighted	23,050,600	\$4.092	(\$0.046)	(\$0.143)	(\$0.08)	(\$0.096)

Korea Gas Corp said today that operations at its LNG terminals near North Korea were unaffected by the border incident with North Korea overnight.

An Indonesian government official said today that one of the two LNG processing plants at its Tanggug LNG facility will be shut for maintenance from December to March. Officials though said the shutdown should not impact LNG shipments from the facility.

Russian Deputy Prime Minister Sechin said today that he does foresee Russia and China reaching an agreement on the price of Russian gas supplies to China before the middle of next year.

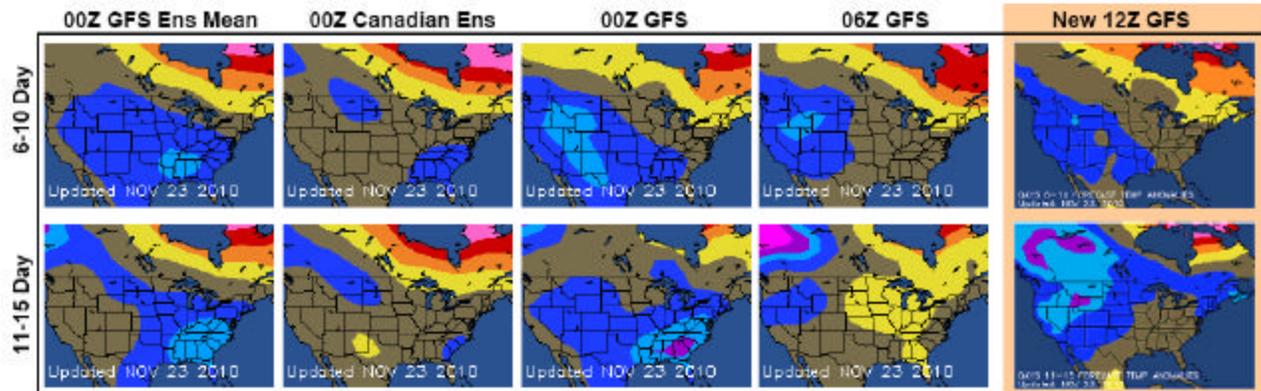
#### ELECTRIC MARKET NEWS

Massachusetts state utility regulators yesterday approved National Grid’s agreement to buy power from the 420 Mw Cape Wind project, at 18.7 cents per kilowatt-hour for 15 years starting in 2013. Electric customers in that state already pay some of the highest power prices in the country, and the agreement with Cape Wind would cost more than twice the region’s current market rate for wholesale

electricity. Cape Wind is currently negotiating with other New England utilities to sell the remaining half of the power project's power.

First Solar won approval by the Los Angeles County Board of Supervisors to proceed with building a 230 Mw solar plant slated for California's Antelope Valley, as the board overruled objections from Northrop Grumman that the plant could disrupt its sensitive radar testing facility in nearby Kern County.

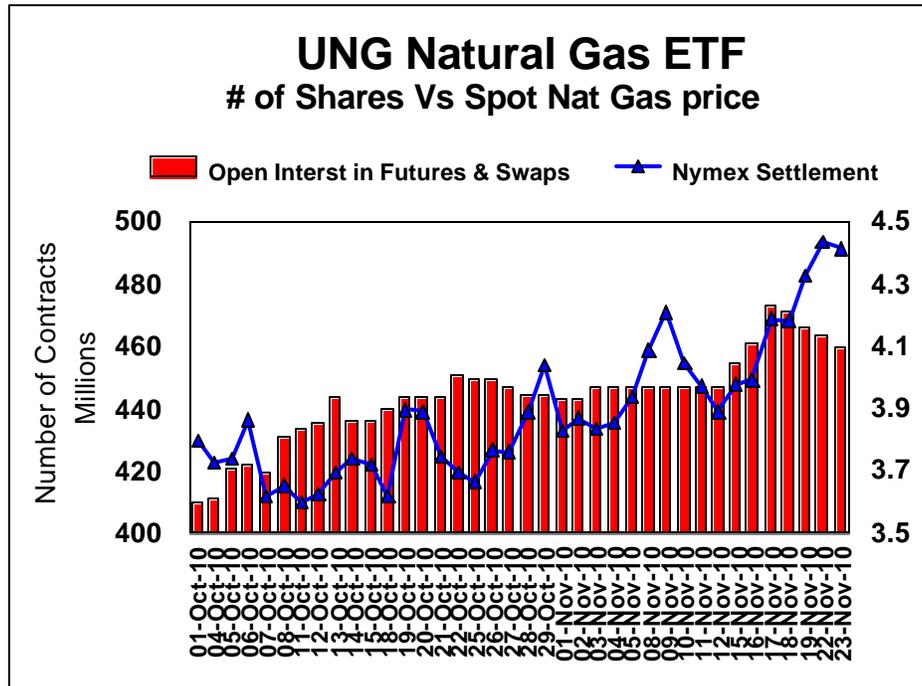
### Forecast Model Comparison



The province of Ontario unveiled Tuesday a 20-year power plan that will rely heavily on conservation measures, but also expands the contribution of renewable electricity sources, especially wind energy, as it phases out coal fired generation. The long term plan estimates the province's power generation mix in 2030 will be made up of 46% nuclear, 20% hydro, 10% wind, 7% natural gas, 1.5% solar and 1.3 bio-energy. The plan also calls the modernization of the Bruce and Darlington nuclear power plants and to bring online two new reactors at Darlington.

### ECONOMIC INDICATORS

The National Association of Realtors reported today that its Existing home sales index fell by 2.2% to a seasonally adjusted rate of 4.43 homes in October after recording two month of increases. This report was much lower than market expectations which had been for a contraction of only 1%.



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The Federal Reserve in the minutes from their November meeting noted that they have lowered their growth expectations through 2011. They expect unemployment to remain around 9% at the end of next year.

The US Commerce Department said the US economy expanded at a slightly faster pace than previously believed in the third quarter. It reported that GDP increased at an annual

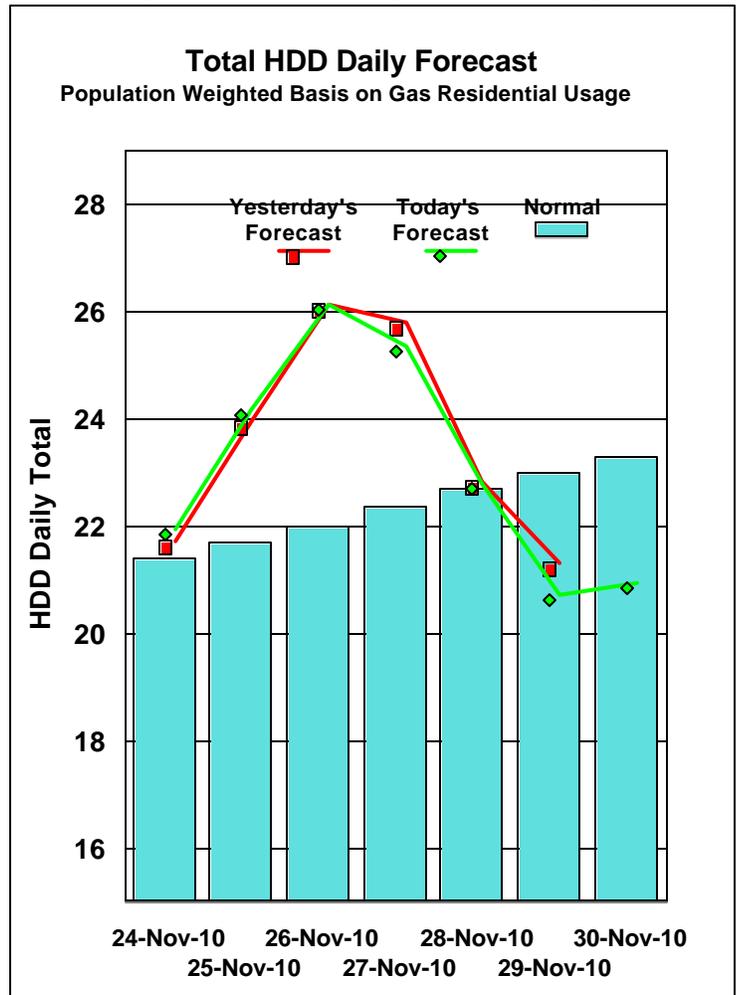
seasonally adjusted rate of 2.5% in July through September. GDP was previously estimated to have increased by 2% in the third quarter following a 1.7% growth rate in the second quarter.

**MARKET COMMENTARY**

The natural gas futures market remained on a roller coaster today. This morning's computer forecasting models appeared to point toward more moderate temperatures for both the 6-10 and 11-15 day periods for much of the nation and as a result the futures market headed lower only to rebound later in the morning as midday forecasts appeared to swing back toward being cooler once again. The December option expiration though remained a relative non-event as the market basically went out where we expected pinned to the \$4.25 level. The December futures contract expires tomorrow and given that it is an EIA Storage Report day could make for an interesting and volatile afternoon trading session. But given the relatively low level of open interest in the expiring contract some 1,000 lots less than last month at the same time and 4,000 lots less than in September we probably will see a more modest closing range for the December expiration.

Market expectations for tomorrow's EIA Storage report appear to be centered around 10 bcf draw to a 5 bcf build with most estimates centered around a draw of 2-4 bcf. For the same week a year ago stocks rose an adjusted 5 bcf while the five year seasonal average shows a 13 bcf decline.

With the prospects of a significant loss in industrial demand for natural gas for the extended Thanksgiving holiday, we continue to look for the upside potential of this market to be limited. Trading activity in the natural gas ETF, UNG also has begun to see declining open interest in shares over the past several sessions back to levels from a week ago and thus we feel this will reduce some of the speculative buying in the futures market. As a result we look at these recent highs as resistance for this market near term. Basis the January contract \$4.44-\$4.46 followed by \$4.65, \$4.68 and \$4.901. Support we see at \$4.291-\$4.278, \$4.224, \$4.153 and \$4.083



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