



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 28, 2011**

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#### **NATURAL GAS MARKET NEWS**

##### **North America**

Canada plans to pull out of the Kyoto Protocol that binds signatories to cut CO2 emissions by 6% of their 1990 levels in the 2008-2012 period. Canada's CO2 emissions have increased 17% above their 1990 levels largely due to increased oil extraction in Alberta. Canada, along with Japan and Russia have said that they do not plan to sign a second commitment period for Kyoto without guarantees from the US and China to also sign the accord.

Heating demand in the US this week is expected to be 14% below normal up from 23.2% below normal last week according to the National Weather Service Forecast.

##### **International**

Egypt's gas pipeline to Israel and Jordan was once again blown up Monday hours before the countries first free elections after President Mubarak's fall from power. The explosion marks the ninth time the pipeline has been attacked this year. No group has come forward and taken responsibility for the blast.

Israel Electric Corporation (IEC) is currently surveying the market to import LNG to replace the natural gas shipments it receives from Egypt. IEC plans to buy gas for deliveries every two weeks and import about 1.5 bcm annually. The price of alternative LNG is 2-3 times higher than what Israel pays for Egyptian natural gas but it's still half the price of diesel.

National Iranian Gas Company (NIGC) denied that Pakistan is attempting to withdraw from a gas contract and said Pakistan is even willing to buy additional gas. The contract states that Iran is required to ship 30 million cubic meters to day of gas to Pakistan starting in 2014.

Eni's oil and gas output from Libya has reached 200,000 barrels of oil equivalent a day as it hopes to reach pre-war levels by the end of June 2012. The company plans to average 300,000 boepd in 2013

#### **Generation Outages**

**WECC**- Arizona Public Service's Unit 1 reactor at the Palo Verde nuclear power plant started to exit a refueling outage and increased power to 12% capacity early on Monday. The unit was scheduled to be shut for a month starting on October 7<sup>th</sup> but remained offline longer so workers could correct a control rod issue.

**MRO** - Ameren Corp's Callaway nuclear power unit increased to 98% power early on Monday after exiting an outage on Friday. The 1,009 MW American Electric Power Co Inc Unit 1 at the Cook nuclear power station reduced power to 57% early on Monday from full power on Friday. Xcel Energy's 572 MW Monticello nuclear power station began to exit an outage and increased power to 2% capacity early on Monday. The unit was shut on October 19<sup>th</sup> after relays in the plant protection system were activated.

**NPCC**- The Pilgrim nuclear plant in Massachusetts increased power to 95% capacity on Monday from 5% power on Friday. The unit was shut on November 18<sup>th</sup> when a leak in the main feedwater check valve was discovered. Dominion Resources Inc's 877MW Unit 3 at the Millstone nuclear power plant ramped up to full power on Monday from 75% power on Friday.

**PJM**- Exelon Corp's Unit 1 at the Three Mile Island nuclear power plant increased to full power on Monday from 6% power on Friday. The unit had been increasing power since November 25<sup>th</sup> as it was exiting a refueling outage.

**SERC** - Unit 2 at Dominion Resources Inc's North Anna nuclear plant in Virginia joined Unit 1 returning to full power on Monday after being offline since an earthquake struck Virginia in August.

**RFC**- NextEra Energy Inc's Unit 1 at the Saint Lucie nuclear power plant in Florida shut by early Monday from 65% power on Sunday.

**The NRC reported this morning that some 91,383Mw of nuclear generation was online, up 2.83% from Friday and down 0.34% from the same day a year ago.**

and double its current output within ten years. The Greenstream pipeline has reached 15-18 mcm/d and is expected to double output.

Angola LNG expected to deliver its first LNG exports in 2012 but is shifting its focus away from the US after prices have fallen due to an increase in domestic gas production. The Angola LNG project did not say where it plans to ship its 5.2 mpta capacity other than it plans to sell gas to the most competitive market.

Estonia plans to build LPG and LNG terminals at the Sillamae port. The terminals will be able to store 16,000 cubic meters of LPG and 480,000 cubic meters of LNG and the port hopes to receive 300,000 cubic meters of LPG and 2.3 billion cubic meters of LNG annually.

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	558,600	\$3.088	\$0.251	(\$0.335)	\$0.323	(\$0.245)
Chicago City Gate	463,400	\$3.411	\$0.407	(\$0.012)	\$0.415	(\$0.124)
NGPL- TX/OK	777,200	\$3.061	\$0.315	(\$0.362)	\$0.323	(\$0.432)
SoCal	616,000	\$3.397	\$0.282	(\$0.026)	\$0.290	(\$0.054)
PG&E Citygate	778,500	\$3.835	\$0.227	\$0.412	\$0.235	\$0.356
Dominion-South	550,800	\$3.198	\$0.298	(\$0.225)	\$0.306	(\$0.289)
USTRade Weighted	20,703,200	\$3.238	\$0.315	(\$0.185)	\$0.32	(\$0.245)

BP said that two new alternatives will be considered before making a final decision on which pipeline will be given the contract to ship gas from the Shah Deniz field to Europe. The alternatives are to

upgrade the existing Turkish Petroleum Pipeline Corp pipeline or construct a new standalone pipeline across Turkey. The move comes after Turkey and Azerbaijan ratified 14 agreements that set parameters on how the Shah Deniz field will be developed.

InterOil plans to make its final investment decision on its \$6 billion Gulf LNG project in Papua New Guinea in the next few months. The company has not yet sold half of the plant's initial capacity but plans to sell an additional 2 to 3 million tonnes in the next few months. LNG developers usually try to secure 85% of sales contracts before making final investment decisions on a project.

Japan's Inpex did not extend the final investment decision despite difficulties in marketing the gas. The company expects that they will be able to sign purchase agreements before the final investment decision. The company is currently in talks with five major Japanese utilities for the remaining volume.

A researcher at the Institute of Comprehensive Transportation in China said that gas imports may reach 90 bcm and consumption could reach 230 bcm by 2015.

### Electric Market News

US power generation fell .23% in the week of November 24<sup>th</sup> compared to the previous week but rose 1.23% when compared to the same week last year.

### Economic News

The US Commerce Department reported that new home sales increased slightly in October. New home sales increased 1.3% to a seasonally adjusted annual rate of 307,000 from a downwardly revised 303,000 in September. The median price in October for a new home was \$212,300, up from \$204,200 a year earlier.

GAS HOME HEATING CUSTOMER WEIGHTED			
	FCST	FCST	FCST
	Week Total	Week Dev	Week Dev from
Region		from normal	from last year
New England	118	-81	-76
Mid. Atlantic	117	-72	-65
EN Central	196	-22	-28
WN Central	235	-9	-5
S. Atlantic	105	-26	-40
ES Central	148	13	-10
WS Central	133	34	33
Mountain	180	-27	-34
Pacific	87	-21	-42
Total	147	-24	-30

The Federal Reserve Bank of Dallas' Texas Manufacturing Outlook Survey showed its general business activity index increased to 3.2 in November from 2.3 in October. However its production index for November fell to -5.1 in November from 4.1 in October.

### **Market Commentary**

The natural gas market posted an outside trading day ahead of the December contract's expiration at the close. The market traded mostly sideways and posted a high of \$3.58 in early morning trading before the market gave up its gains ahead of the start of the open outcry session. It sold off sharply as traders liquidated their positions ahead of expiration. The December contract retraced most of last week's and fell over 19 cents to a low of \$3.351 on the close. It settled down 17.8 cents at \$3.364. The January contract settled down 14 cents at \$3.525.

The natural gas market's gains are still seen limited by the lack of any change in fundamentals. The weather forecasts are call for normal to above normal temperatures for much of the country in the next 8-14 days, except for the west and Texas Coast. The market is seen holding resistance at \$3.604, \$3.656, its high of \$3.72 followed by \$3.788 and \$3.855. Meanwhile support is seen at its low of \$3.521, 43.49, \$3.461, \$3.457, \$3.39 and \$3.258.

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